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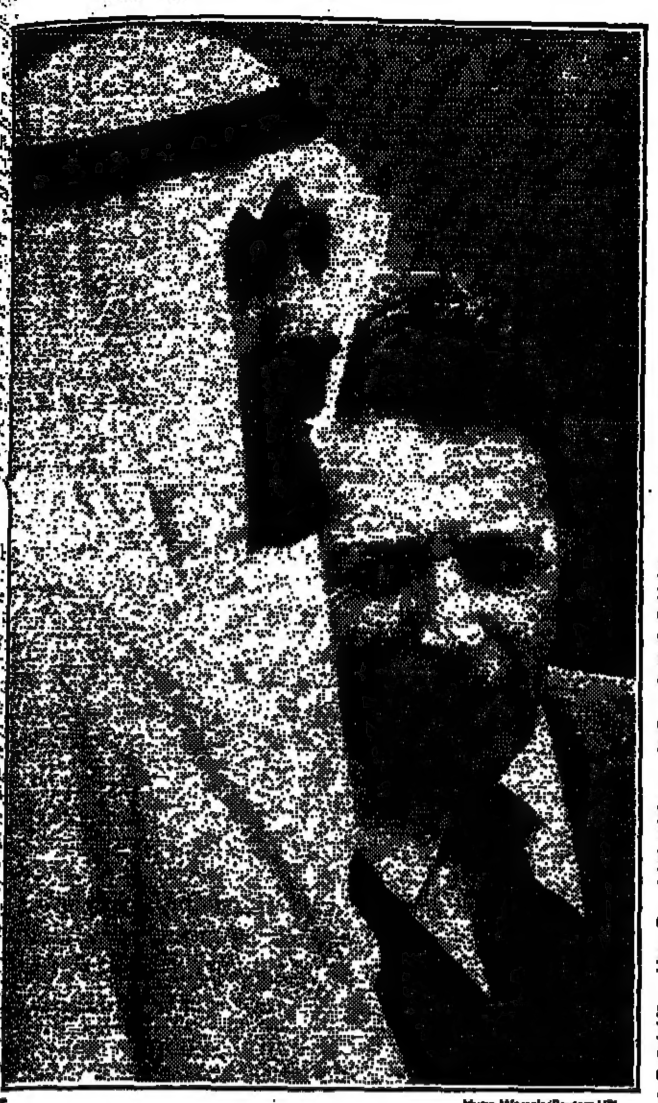
Wall Street Rallies, Dow Gains 102; Losses Deepen in Tokyo and London



Defense Secretary Caspar W. Weinberger with Crown Prince Abdullah bin Abdul Aziz of Saudi Arabia during welcoming ceremonies at the Pentagon on Tuesday.

Markets in Europe, Asia Driven Lower by Turmoil

Compiled by Our Staff From Dispatches

Wall Street's historic crash on Monday reverberated through financial markets around the world on Tuesday, leading to record one-day drops in London and Toyko and the closing of the Hong Kong exchange.

Most European markets were down sharply, although losses in some cities were cut in late trading.

In London, the Financial Times 100-share index ended 250.70 points, or 12.22 percent, lower at 1,801.60. This fall came on top of the previous record plunge of 249.60 points on Monday.

In Paris, stock prices actually recorded a gain, although of less than 1 percent, reacting to an encouraging market opening in New York.

The start of dealing on the Milan stock exchange was postponed an hour on orders from the National Commission for Stock Exchange Companies. By the close, stocks there were down 4.4 percent.

In Frankfurt, the other major European exchange, dealers said trading was chaotic, with some stocks drastically losing value and others rising. The Commerzbank index ended down 4.3 percent.

In Athens, cautious officials closed down the stock exchange for the day.

In Tokyo, the 225-issue Nikkei Average, Japan's main barometer of stock performance, slipped 3,836.48 points, or 14.9 percent.

The decline far exceeded the previous record fall of 10 percent recorded following the death of Stalin on March 5, 1953, market officials said.

Analysts said the devastating 508-point plunge in the Dow Jones average on Monday, which had been fed by the declines in overseas trading early that day, spilled back onto Tuesday's activity.

The Hong Kong Stock Exchange, stunned by record losses, suspended shares and futures trading for the remainder of the week.

The surprise announcement by the exchange's president, Ronald Li, came after the Hong Kong market suffered its worst one-day loss as share prices tumbled 11 percent Monday on the local Hang Seng Index.

The suspension of trading is "to protect the investors and allow brokers to settle the backlogs" from Monday's heavy trading," Mr. Li said.

Panic selling hit the Sydney Stock Exchange at the opening bell on Tuesday, with traders slashing 50 billion Australian dollars ($36 billion) off the value of shares as investors dumped stocks across the board in the biggest fall in the market's history.

The visitors' gallery at the Sydney Stock Exchange was packed by small investors watching their fortunes turn to paper. It was pandemonium on the floor, with sellers rushing around trying to find buyers.

The Singapore stock market also fell as investors scrambled to get rid of shares. There was not a single gainer among the 143 issues, with blue chips recording staggering falls.

"This is worse than in 1929," said S.H. Chan, an analyst with Paul Morgan Associates. "Everyone is rattled it's happening so fast."

Stock markets also plunged in Malaysia, the Philippines, Taiwan and South Korea. (Articles about the European and Asian markets, Page 7.) *(UPI, AP)*

U.S. Treasury Chief Under Fire

James A. Baker 3d, the U.S. Treasury secretary, arriving in Washington on Tuesday after cutting short a European trip. Last weekend, Mr. Baker criticized West Germany for raising interest rates, seeming to signal an unraveling of an accord to stabilize currency values. Nigel Lawson, the British chancellor of the Exchequer, was among those who said Mr. Baker's comments had helped spur a wave of stock sales worldwide.

U.S. Shares Are Buoyed By Bond Prices, Dollar

By Jonathan Engel
International Herald Tribune

The Dow Jones industrial average rose a record 102 points Tuesday, but the increase recovered only about one-fifth of Monday's unprecedented decline and broader indicators of the market's health fell.

Trading remained volatile and investors nervous, on a day when stock exchanges throughout the world fell sharply in reaction to Monday's Wall Street collapse. In New York, trading volume remained around record levels.

The Dow average of 30 leading U.S. stocks surged by 102.27 points to 1,841.01 for a 5.9 percent gain. It was the blue-chip indicator's 30th largest advance in percentage terms. On Monday, in a plunge surpassing the great crash of 1929, the Wall Street barometer dropped 508 points, or 22.6 percent, wiping about $500 billion off the value of U.S. shares.

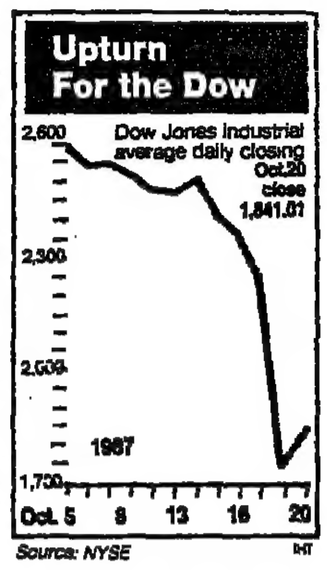
Dealers said the market was buoyed by a surge in bond prices, corporate announcements of stock buybacks, indications of coordinated efforts to stabilize the dollar and supportive statements from Alan Greenspan, chairman of the Federal Reserve Board, the U.S. central bank.

Mr. Greenspan promised Tuesday to provide the liquidity required to protect U.S. financial markets from a run on funds.

After the market closed, President Ronald Reagan said he saw no evidence that Monday's freefall of stock prices and Tuesday's continued market volatility would throw the country into a recession. Mr. Reagan, who had just finished meeting with Mr. Greenspan and other economic advisers, also said that he saw room for a further decline in interest rates.

"The most important thing is that the bond market rallied," said Ricky Harrington, an analyst at Interstate Securities in Charlotte, North Carolina, "and that there appeared to be a concerted effort by monetary authorities to keep this market from moving much lower and to prevent further repercussions."

As trading remained heavy, the number of stocks falling outpaced those gaining by nearly 3 to 1. Volume totaled 603.8 million shares, just below the record 604.3 million on Monday. Both figures outstripped the previous record of 338 million set on Friday.



Source: NYSE

The massive volume caused delays in the New York Stock Exchange's price reporting, with its tape running more than an hour behind after the official close.

When trading began, dealers reported intense bargain-hunting, and dozens of unfilled buy orders pushed up the Dow average by 65 points in the first few minutes. On Monday, the index closed at 1,738.74, the lowest level all year. The percentage drop had been the biggest since the 12.9 percent slump on Oct. 28, 1929.

Among the buyers were several U.S. companies, stepping in to repurchase shares that had been battered by the selling stampede.

"On my list of positive market factors, the buybacks are number one," said Larry Wachtel, market strategist at Prudential Bache Securities.

"Between corporate repurchases and the fact that the market remained open, people can go home with a little more confidence in equities," said Edward Shopkorn, partner in charge of institutional equities at Mabon Nugent & Co. But he said people still were "incredibly jumpy."

Paradoxically, the jump in U.S. government bond prices that helped bolster share prices was

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U.S. Warns Tehran On Further Attacks

Reuters

WASHINGTON — The United States warned Iran on Tuesday that it would again retaliate for any hostile action against it in the Gulf as U.S. warships began escorting another tanker convoy from Kuwait.

Defense Secretary Caspar W. Weinberger said the United States sought no further hostilities but was ready to deal with any Iranian response to Monday's U.S. attack on an Iranian oil complex. The United States said the complex was being used to launch military operations.

Meanwhile, the Senate voted, 92-1, for a nonbinding measure endorsing Monday's U.S. attack.

The Defense Department later said that U.S. warships had begun escorting two U.S.-flagged Kuwaiti tankers out of a Kuwaiti port.

Asked if the United States was prepared for a war with Iran, Mr. Weinberger told a television interviewer: "Well, we are prepared I think for whatever eventualities emerge from this situation but we don't look on it as a war."

He said he did not know if Iran would carry out it's threat to retaliate for Monday's assault, which was in response to an Iranian missile attack Friday on a U.S.-flagged oil tanker in Kuwaiti waters.

Iran's leaders on Tuesday denounced the U.S. assault and threatened retaliation.

Monday's attack was intended as a signal of U.S. will. Page 4.

Iran said the U.S. attack had caused $500 million in damage.

Hashemi Rafsanjani, the speaker of the Iranian Majlis, or parliament, was quoted by the Tehran radio as saying that, "God willing, we will carry out out duty in the coming days and make them sorry."

President Ali Khamenei said the U.S. attack had no military value. "To strike an oil rig is not an achievement to boast of," the national news agency IRNA quoted him as saying.

Mr. Weinberger, while declaring U.S. readiness to deal with any Iranian military action, emphasized that the United States sought no further hostilities.

"We're not at war," he said. "We're not seeking to expand the conflict. We're not seeking to have any kind of additional aggressive measures at all."

In London, Secretary of State George P. Shultz also said the Unit-

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World Stocks Continue Falling

City	Index Close	Point Fall	Percentage Change
London	1,801.60	250.70	-12.22
Paris	[illegible]	[illegible]	+0.79
Frankfurt	1,669.40	74.70	-4.28
Tokyo	21,910.08	3,836.48	-14.90

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Related Articles

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Zhao Confirmed In Party Post

BEIJING (WP) — The Central Committee of the Chinese Communist Party approved Tuesday an earlier decision to make Zhao Ziyang, 68, acting party chief. The committee also formally accepted Hu Yaobang's resignation from that post, the official Xinhua press agency said.

The committee Tuesday held the first in a two-week-long series of meetings expected to promote a new generation of leaders and bolster China's faltering economic reforms. The meeting sets the stage for the 13th party congress, which is scheduled to open Sunday, the first to be held in five years.

The congress is expected to appoint Mr. Zhao as permanent party chief.

NYT

Jacqueline du Pré, the British cellist whose career was interrupted by multiple sclerosis, is dead at 42. Page 2.

GENERAL NEWS

- India said its troops had cut off the escape routes of Tamil rebels in Sri Lanka. Page 2.
- Vice President George Bush, in a gamble, has begun to move to the political center. Page 3.

Dow close: UP 102.27
The dollar in New York:

DM	£	Yen	FF
1.8105	1.6515	143.95	6.042

U.S. Stock Slide Seen Adding to Risk of Recession

By John Meehan
International Herald Tribune

NEW YORK — The historic plunge in stock prices in recent days threatens to trim U.S. economic growth next year and adds to the risk that the economy could slip into recession, many economists said Tuesday as they assessed the damage to investor confidence.

According to these analysts, the economic consequences of Monday's 508-point plunge on the New York Stock Exchange, a slide that wiped out an estimated $500 billion in equity value, could include curtailed consumer spending and reduced investment in new plants by corporations.

"It's one more indicator of the rocky road ahead," said C. Fred Bergsten, president of the Institute for International Economics, a private group based in Washington.

Conventional wisdom holds that the stock market is one of the best leading indicators for the economy, and past market downturns have heralded recessions.

The Great Depression of the 1930s was preceded by the stock market crash of 1929.

Economists said they do not believe the economic repercussions from the market's decline will bring on a depression.

Many safeguards have been created since 1929 to insulate the economy from violent stock market swings. Moreover, many analysts said it was premature to say that an economic downturn was a certainty at this point.

But fear of a recession is at its highest level in some time. And many economists who have been warning of a recession in late 1988 and 1989 are moving up the schedule.

The first casualty of the market's slide could be consumer spending. Many economists have credited the public's surprisingly healthy appetite for consumer goods with helping to sustain U.S. economic growth.

But American consumers are clearly frightened by what is happening in the stock market, and economists are no longer sure whether they will maintain current spending levels.

Many suspect that millions of Americans have a real or imagined feeling of being less well-off than they were last week. As a result, many may postpone plans to purchase big items such as automobiles, appliances and new homes.

As a way of illustrating this concern, Fidelity Investment Co. in Boston, one of the nation's biggest mutual fund managers, reported 200,000 phone calls from investors on Monday, compared with 110,000 in a normal business day.

Most, a spokesman said, were eager to get out of stock mutual funds and into money-market funds.

"People are going to be more tight-fisted with their money," said Robert Hormats, vice president of Goldman, Sachs & Co., an investment banking firm.

"If people were thinking of going out to dinner, they may end up staying home," he said. "And if someone had plans to buy a new refrigerator, they may decide to keep the old one."

Likewise, Geoffrey H. Moore, director of the Center for International Business Cycle Research at

See SLIDE, page 13

Computer Trading: A Culprit?

Compiled by Our Staff From Dispatches

NEW YORK — In the aftermath of Monday's historic market plunge, the New York Stock Exchange asked its member brokers Tuesday not to use the exchange's facilities for computerized trading related to stock indexes, including the new technique called portfolio insurance.

John J. Phelan Jr., chairman of the NYSE, said the request would remain in effect until trading volume, which set records both Monday and Tuesday, subsided. The volatility of Tuesday's trading, however, indicated that the request was being ignored. The Dow Jones industrial average fluctuated within a range of nearly 300 points during the day.

Mr. Phelan warned a Washington audience last December that portfolio insurance could someday lead to a "financial meltdown."

The markets laughed him off. But Mr. Phelan's term may now have burned itself into the stock market's permanent lexicon.

There are strong indications that the computerized programs, designed to hasten selling when the markets turn down in an effort to protect clients from the impact of sharp declines, inspired the past week's waves of selling.

The leading insurance technique involves selling not stocks, but related stock-index futures, and using the proceeds to offset stock losses. As the selling waves hit the futures markets, they drive futures prices down, which in turn drag stock prices down.

People who sell portfolio insurance acknowledged that it failed in recent days to protect clients from losses. The reason is that stock-index futures have collapsed as much or more than stock prices.

"Portfolio insurance had a lot to do with creating this market," said Preston W. Estep, head of a leading portfolio insurance firm. "Everyone who deals in it will have to go back and do what they can to repair the damage to their reputations." *(LAT, AP, Reuters)*

Aquino Toughens Tone, Vows to 'Rule Directly'

By Keith B. Richburg
Washington Post Service

MANILA — President Corazon C. Aquino, confronting widespread criticism that she is weak and lacks vision, told Philippine business leaders Tuesday that she would drop her style of government-by-consensus and pledged: "Henceforth, I shall rule directly as president."

Mrs. Aquino also announced that she had ordered the police and military to use force to break up widespread illegal strikes.

"The honeymoon is over," she said in an address to more than a thousand people at a joint meeting of 13 of the country's most prominent business groups.

The audience first expressed surprise and then reacted with applause to Mrs. Aquino's speech. It was the longest and the toughest she has delivered since becoming president in February 1986.

Mrs. Aquino touched on all the major concerns of the business community and the public, from her shaky ties with the military to the concern over mounting labor unrest; from the war against the Communist insurgents to questions about whether she is strong enough to endure as president.

"The question you all really want to ask is, can she hack it? Isn't she weak?" Mrs. Aquino told the businessmen's forum. "The honeymoon is over, isn't it? It didn't last very long. The Cory who could do no wrong in those early, invigorating months after February 1986, is seen as having done nothing at all."

Mrs. Aquino answered the "weakness" charge by saying, "Although I am a woman and am physically small, I have blocked all doors to power except election in 1992."

She blamed the perception that she is weak on "shamefaced officers" in the military who want to overthrow her and on "failed politicians who made the last places in the last election and are now trying to find a back door to power."

In an address laced with sarcasm and interrupted several times by applause, the new, tough-sounding Mrs. Aquino signaled her conversion from housewife-politician to strong-minded president by announcing the order to break up illegal strikes, which have added to the atmosphere of instability while threatening new business investment.

Most of the strikes have been staged by the militant May First Movement, which has ties to the

See MANILA, Page 2

International Herald Tribune

From Billionaires' Row: It's Only Paper

Compiled by Our Staff From Dispatches

NEW YORK — "It's paper anyway," said a philosophical Sam Walton, reflecting on the more than half-a-billion-dollar loss his assets sustained in the stock market plunge.

Mr. Walton, reputedly the richest man in the United States, added, "It was paper when we started and it's paper afterward."

Until recently, Mr. Walton, the chairman and chief executive officer of Wal-Mart Stores Inc., had an $8.45 billion stake in the company, according to Forbes Magazine. The decline in the stock market in recent months pushed down the value of the family's stake to $6.32 billion. Black Monday wiped a further $517.8 million off those assets, leaving the Walton holdings at about $5.8 billion.

Mr. Walton was attending a conference on education in Little Rock, Arkansas, on the day the Dow Jones industrial average dropped 508 points. He seemed unfazed by the news.

"As far as I'm concerned, we're focusing totally on the company doing well and taking care of our customers," he said.

He was back at his desk in Arkansas on Tuesday, still proclaiming his lack of personal concern. But he said he did worry about the company's stockholders.

Another Arkansas billionaire, Don Tyson, chairman of the Tyson Foods Inc. poultry concern in Springdale, was similarly blasé about his losses. "Basically, we'll run the chicken business and let the market take care of itself," he said.

On paper, at least, there were other big losers among Forbes's list of the 400 richest Americans. According to calculations by The Associated Press, based on share prices after Monday's fall, William Hewlett's share in Hewlett-Packard Co., the computer manufacturer, dropped $265.9 million.

Leslie Wexner, chairman and president of The Limited Inc., a clothes retailer, lost an estimated $195.7 million; August Busch Jr., the chairman of Anheuser-Busch Companies Inc., the brewer, lost $189.4 million; and Edgar Bronfman, the chairman of Seagram Co. Ltd., lost $126.3 million.

The net worth of Bill Gates, 31, co-founder of Microsoft Corp., who was listed by Forbes as the youngest billionaire, fell to about $950 million; a week ago he had a net worth of about $1.5 billion.

Microsoft officials said Mr. Gates was not particularly worried. "He doesn't pay that close attention on a day-to-day basis," said Raymond Ferguson, Microsoft's director of investor relations. *(AP, UPI)*

India Says It Cut Off Tamil Escape Route In Sri Lanka Battle

The Associated Press

COLOMBO, Sri Lanka — Fierce fighting continued Tuesday in Jaffna as India reported that its troops had seized a major road and cut escape routes of Tamil rebels from their last major stronghold.

Sri Lankan military officials said that the rebels were continuing to put up fierce resistance but that the Indians controlled strategic positions throughout the city in the heart of the island's Tamil-dominated northern region.

D.K. Mattra, an Indian Foreign Ministry spokesman, said in New Delhi that by daybreak Tuesday Indian soldiers had "established control of the coastal road" along the lagoon on the south side of Jaffna.

India forbids journalists from entering the combat zone, and no independent confirmation of the situation in Jaffna was available.

Jaffna was reportedly still webbed with mines and booby traps on the 11th day of an assault that has left hundreds dead.

Sri Lankan officials said fierce fighting was still raging in and around the two-square-mile (five-square-kilometer) heart of the densely populated fishing port, where 8,000 Indian troops are pitted against 2,500 fighters of the Liberation Tigers of Tamil Eelam.

Reports from officials and refugees said two-thirds of the city's 150,000 residents had fled or sought refuge in schools, Hindu temples and public buildings.

The city is on the Jaffna Peninsula, which is joined to the rest of Sri Lanka by a narrow isthmus. Residents who fled city 185 miles (300 kilometers) north of Colombo said people used small boats to cross the shallow lagoon to the main part of Sri Lanka.

About 17,000 Indian soldiers are in Sri Lanka trying to end a four-year guerrilla war by Tamils against the Sinhalese-dominated government. The war has left more than 6,000 people dead.

A peace accord between the two sides, which India agreed to enforce, was signed on July 29, and the Indian offensive began Oct. 10.

Sri Lankan military officials said the Indians were making house-to-house searches and detaining men for questioning. Many rebels wear ankle-length sarongs and have avoided capture by blending with the civilian population.

Figures provided by the Sri Lankan military officials Tuesday said 47 rebels had been killed in the previous 24 hours, bringing the toll to 563 since the offensive began. The officials said 123 Indian soldiers had been killed and 25 were missing.

The Liberation Tigers, who did not surrender their weapons as the peace agreement required, want an independent Tamil nation in northern and eastern Sri Lanka.

About 75 percent of Sri Lanka's 16 million people are Sinhalese, most of them Buddhist, and 18 percent are Tamils, nearly all of whom follow Hinduism, but there are Christians in both groups.

Gandhi Talks to Reagan

Prime Minister Gandhi met on Monday with President Ronald Reagan and other U.S. leaders during a 28-hour visit to Washington, The Associated Press reported. Mr. Gandhi had breakfast with leading members of Congress on Tuesday and during the day planned visits with Vice President George Bush and Defense Secretary Caspar W. Weinberger.

9 Die as Air Force Jet Hits Hotel in U.S.

Rescuers moved a victim Tuesday after a U.S. Air Force fighter jet crashed into a hotel lobby near Indianapolis International Airport, killing at least nine people and injuring at least 10. The pilot, on a routine training flight, bailed out before the crash.

Sikh Gunmen Kill 9 at Festival Near New Delhi

By Richard M. Weintraub
Washington Post Service

NEW DELHI — Assailants identified as Sikh militants opened fire Tuesday night on crowds gathered for a religious festival, leaving at least nine persons dead in a New Delhi suburb.

Fifteen people were reported injured and one of the gunmen was later reported killed in a gun battle with police several miles away.

The attack, coming on the eve of the festival of Diwali, threw a pall over what is usually one of the most joyous times of the year in India, especially throughout the northern part of the country.

Relations between Sikh militants and government security forces have been tense over the past several days following a call for a major Sikh gathering in Amritsar, the Sikh holy city in Punjab State, on Thursday to support demands for a separate Sikh homeland to be called Khalistan.

Dozens of militant Sikh leaders, including four high priests, have been placed under preventive detention in an apparent effort to block the meeting.

Eyewitnesses said the gunmen shouted "Khalistan *zindabad*," or long live Khalistan, as they opened fire on crowds at the main festival ground at Chittaranjan Park in south New Delhi.

Residents said the area was "in panic" after the shootings.

The gunmen also reportedly later struck at Nanakpura, about three miles (five kilometers) away, and the adjoining community of Dhaula Kuan.

Few occasions could be more symbolic than Diwali for a terrorist attack designed to strike at the Hindu community.

Melas, or fairs, spring up all around New Delhi in the days before Diwali, a major fall festival.

Most are sponsored by neighborhood committees and turn into large local gatherings. Starting Wednesday night, many of the mela grounds turn into prayer sites.

The same part of New Delhi was the scene of two other terrorist attacks this past summer. Gunmen killed 13 people in an adjacent neighborhood in mid-June and two in another nearby community at the end of July.

GULF: *U.S. Warns Iran*

(Continued from Page 1)

ed States was not seeking a war with Iran.

The U.S. attack "was a well-timed, precise, restrained, definite response to Iranian attacks and most recently on an American-flagged ship," he said. "I think it was not only entirely appropriate but necessary under the circumstances."

Asked if Washington was "backing into war," Mr. Shultz replied, "no."

Mr. Shultz was in London for talks on the Gulf War and Middle East peace with King Hussein of Jordan. He also met with the British foreign secretary, Sir Geoffrey Howe.

Later, Mr. Shultz flew to Helsinki and will go from there to Moscow for two days of talks with Soviet officials on prospects for an arms control treaty.

In Moscow, Gennadi I. Gerasimov, the Foreign Ministry spokesman, said Tuesday the U.S. attack on the Iranian platforms was an "obvious violation of international law" but was unlikely to have any major impact on the visit of Mr. Shultz.

Kuwaiti Reaction

Kuwait said Tuesday the U.S. military action came only after Iran had been warned repeatedly by the international community to end its attacks on neutral countries and their shipping lanes, The Washington Post reported from Kuwait.

The statement was welcomed by *Western diplomats, who saw* Kuwait as harming its image in the United States for its lack of public support for the U.S. military presence in the Gulf. Eleven Kuwaiti tankers have been re-flagged to qualify them for American protection.

[Lloyd's of London on Tuesday doubled insurance rates for ships entering Kuwaiti waters, Agence France-Presse reported from London.

[The increase means a vessel insured for $10 million will now pay $150,000 in insurance for a 14-day voyage into Kuwaiti waters instead of $75,000.]

Jacqueline du Pré, British Cellist, Dies

The Associated Press

LONDON — Jacqueline du Pré, the British cellist whose international career was cut short by multiple sclerosis, died here Monday night. She was 42.

Elegance and Ferocity

New York Times Service

Miss du Pré, who was stricken with multiple sclerosis in 1971, had a career that lasted barely a decade. But during her prime she was recognized as one of the world's leading cellists and served as a role model for many young musicians.

During the late 1960s and early 1970s, Miss du Pré and her husband, the conductor and pianist Daniel Barenboim, seemed a charmed couple. Often compared with Robert and Clara Schumann, they were admired for their energy, musicality and youthful glamour.

Miss du Pré's playing was characterized by an unusual mixture of elegance and ferocity.

"Miss du Pré is a cellist in the modern vein," Harold C. Schonberg wrote in The New York Times after a 1967 concert. "There is plenty of strength to her playing, and a good measure of romanticism without the romantic string mannerisms of portamento (sliding from note to note) and a fast wide vibrato. She can produce a mellow sound of unusual size and clearly was born to play the cello."

Miss du Pré excelled in a wide variety of music, specializing in the sonatas of Johannes Brahms and the concertos of Haydn, Boccherini, Schumann, Dvorak and Saint-Saens. She had a particular affinity for English music, and made memorable recordings of the Delius and Elgar concertos. The Elgar was associated more closely with her than with any other cellist since Beatrice Harrison, who died in 1965.

Raymond Ericson, reviewing a 1965 performance of the Elgar work for The Times, observed that "Miss du Pré and the concerto seemed made for each other, because her playing was so completely imbued with the romantic spirit. Her tone was sizable and beautifully burnished. Her technique was virtually flawless, whether she was playing the sweeping chords that open the concerto, sustaining a ravishing pianissimo tone, or keeping the fast repeated note figures in the scherzo going at an even pace."

The first signs of her illness appeared when she was 26 and at the height of her fame.

"My hands no longer worked," she recalled in 1978. "I simply couldn't feel the strings." She withdrew from concertizing for a year, then returned, to mixed reviews. The diagnosis of multiple sclerosis followed shortly, and she retired.

By the mid-70s, she was virtually paralyzed. She could no longer dress herself, nor stand unaided, nor travel without a great deal of planning. She put all her energies into teaching, whenever possible, and working for the cause of multiple sclerosis research.

Miss du Pré was born in Oxford, England, on Jan. 26, 1945. Her talent was obvious from an early age, and she began cello lessons when she was 5 years old. Her early teachers included Herbert Walenn and William Pleeth. She later studied with Paul Tortelier, Mstislav Rostropovich and Pablo Casals.

Her career began in earnest in 1961, when she played a concert at Wigmore Hall in London, using a 1672 Stradivarius that had been presented to her anonymously.

Dr. Philip Levine, 87, Found Key Blood Factors

NEW YORK (AP) — Dr. Philip Levine, 87, who discovered the Rh factor in human blood, died here Sunday.

Dr. Levine received numerous awards for his discovery of key blood factors, for greatly increasing the safety of blood transfusions and for identifying the Rh hemolytic disease.

Mitterrand Alters Views On A-Attack

Reuters

BONN — President François Mitterrand of France tried on Tuesday to allay West German fears that French short-range nuclear weapons might be fired into West German territory in any possible future war in Europe.

French presidential sources said that Mr. Mitterrand, on the second day of a state visit to West Germany, told Chancellor Helmut Kohl that he was shifting his thinking on how to use France's independent nuclear forces.

The sources said that Mr. Mitterrand saw little point in firing short-range French missiles at Warsaw Pact forces if they invaded Western Europe, since the warheads would land in West German territory.

Mr. Mitterrand, they added, preferred to reserve France's nuclear capability for a long-range strike direct at the source of an imagined attack — Moscow.

Neither the present Pluton missile nor its planned replacement, the Hades, are capable of reaching East bloc territory from France.

At a state dinner on Monday, Mr. Mitterrand gave his first public hint of his shift in position by saying that France would strike directly at an aggressor.

"France's nuclear strategy is directed at the aggressor and at him alone, in order to deter him," Mr. Mitterrand said in a toast to his host, President Richard von Weizsäcker. "Let us never forget that."

French doctrine has stated that Pluton and Hades were designed as "pre-strategic" systems, to deliver a final battlefield warning to an aggressor before the big "doomsday" nuclear weapons were fired.

Mr. Mitterrand's remarks to Mr. Kohl were believed to be directed against a concern in Bonn that the French systems — with ranges of less than 240 miles (400 kilometers) — would only cause further destruction in West Germany, and were thus of little defense value.

Mr. Mitterrand, as president, has sole responsibility for pressing the French nuclear button.

In other meetings, Mr. Mitterrand talked with Foreign Minister Hans-Dietrich Genscher on East-West relations, disarmament, and preparations for a European Community summit meeting. Mr. Mitterrand and Mr. Kohl laid wreaths at the grave of Konrad Adenauer, who as West German chancellor began the task of reconciliation with France after World War II.

MANILA: *Aquino Toughens Tone, Vows to 'Rule Directly' and Stop Strikers*

(Continued from Page 1)

Communist Party of the Philippines.

The announcement drew praise from businessmen who hailed Mrs. Aquino for finally taking a tough stand to end mounting labor unrest.

However, representatives of church-affiliated social action groups said later the speech appeared to mark Mrs. Aquino's final passage from a president of uncertain ideology to one who has decided to firmly anchor her administration on the conservative twin pillars of business and the military.

They noted that her speech was aimed primarily at pleasing her business audience, and made no mention of the urban poor or the landless farmers.

Mrs. Aquino said she will abandon her hands-off style and begin immersing herself in the details of governing.

She began by giving the Metropolitan Manila mayor, Mel Lopez, one week to clean the piles of garbage off of Manila's streets. She ordered the Department of Public Works to begin filling the city's potholes. And she told the private long-distance telephone company to attend to customer complaints within 48 hours.

Mrs. Aquino also ordered an investigation into the frequent power shortages that plague the city.

"A president is supposed to be above details," Mrs. Aquino said, "but it seems I must do everything myself."

Mrs. Aquino also chided the military and her appointed local officials for not handing her a "string of victories" against the country's Communist insurgents. "I have said all that needs to be said. Am I also expected to take up an M-16 myself and do it?"

Regarding allegations of high-level corruption that have been plaguing her government, Mrs. Aquino said, "I have heard the talk of the coffee shops. I am addressing your concern about graft and corruption." She said she had ordered the special prosecutor to give "first priority" to graft cases against public officials, including cabinet members.

The president drew the loudest applause when she spoke of how the government would respond to the rash of illegal strikes.

"I will not allow an unruly minority to use the rights of labor," which she said were meant to improve the conditions of labor, "to achieve a Communist victory instead. The way to power is the ballot, not the strike."

"I therefore order the police and other peacekeeping authorities to give full assistance to the Labor Department to remove all illegal blockades at the factory gates," Mrs. Aquino said.

Business leaders and political *analysts agreed that Mrs. Aquino* had addressed all the major concerns of her detractors, lashing back at her critics amd leaving the impression that she has changed her style of management.

"You can see a very big difference," said one businessman, Raul Concepcion, after the speech. "She's in full control, you can see."

The speech had been billed as perhaps Mrs. Aquino's last best chance to assuage fears in the business community that she was not fully in control of her government.

Mrs. Aquino defended her record on the economy, including the impressive growth of more than 5 percent over last year, a modest increase in investments and her dismantling of the economically oppressive monopoly structure set up under the deposed president, Ferdinand E. Marcos.

However, Mrs. Aquino acknowledged that the economic gains had been set back by the "public reaction to the Aug. 28 coup attempt — the reaction, let me emphasize, not the coup attempt."

After the attempted takeover, the government became embroiled in a bitter round of recrimination that led Mrs. Aquino to fire her two closest cabinet aides.

Mrs. Aquino conceded that the coup attempt "reveals a fissure in the military — that is true." But she asked her audience to remember that the majority of the armed forces remained loyal to her government and that the coup attempt was quickly crushed.

Spanish Dissident Quits Party Post

Reuters

MADRID — The most vocal dissident in Spain's governing party has resigned after accusing a party leader of being involved in a real estate deal with a rightist politician.

Pablo Castellano resigned Monday as head of the Socialist Left faction of the Socialist Workers Party to avoid involving the party in controversy, a party spokesman said.

The politicians alleged to have been involved in the property deal have threatened to sue Mr. Castellano for his accusations.

East German Flees to West

Reuters

HAMBURG — An East German man set off an alarm trying to cross the border to West Germany but managed to reach Lower Saxony unharmed, West German border police said Tuesday that the man, a 26-year-old bricklayer, evaded an East German Army unit by hiding in bushes and then climbing over border fortifications.

WORLD BRIEFS

Lebanon Assembly Re-elects Speaker

BEIRUT (AP) — Hussein Husseini, a Shiite Moslem, was re-elected speaker of the Chamber of Deputies on Tuesday for a fourth one-year term.

The election was held amid heavy security around the parliament building, near the line that divides Beirut's Moslem and Christian sectors. Mr. Husseini, a pro-Syrian politician who was first elected speaker in 1984, was the only candidate. An official statement said 51 of the 67 deputies present voted for him. One deputy abstained and 15 cast blank ballots.

Also Tuesday, schools throughout the country closed as Lebanon's 27,000 teachers began a strike, demanding wage increases.

UN Is Made Scapegoat, M'Bow Says

PARIS (Reuters) — Amadou Mahtar M'Bow of Senegal, defeated for a third term as head of UNESCO, accused his critics Tuesday of trying to make the United Nations a scapegoat for the world's political problems.

Mr. M'Bow, director-general of the United Nations Educational, Scientific and Cultural Organization for 13 years, defended the UN system at the start of a meeting of UNESCO's 158 member states. He made no direct reference to his defeat by a Spanish biochemist, Federico Mayor Zaragoza, who was nominated for the leadership on Sunday after a divisive election. The general conference of UNESCO must now approve the board's nomination.

The conference has in the past always accepted the board's recommendation but diplomats say some of Mr. M'Bow's African supporters may attempt to overturn the nomination.

Jamaican Suspects Held in U.S. Sweep

WASHINGTON (AP) — Law enforcement officials said Tuesday that they had arrested more than 100 Jamaican-American gang members in a sweep of 13 states and the District of Columbia. The groups, known as the Jamaican Posses, "are probably this country's most violent" organized crime gangs, said Stephen E. Higgins, director of the U.S. Bureau of Alcohol, Tobacco and Firearms.

Mr. Higgins said at a news conference that the Jamaican Posses, which take their name from television Western shows, had been connected to more than 600 drug-related murders and to kidnapping, narcotics trafficking, gun trafficking, robbery, assault and money laundering.

He said that 118 suspects had been taken into custody since the sweep began Monday afternoon. Officials expect more than 200 of the gang members to be arrested by the time the sweep ends Wednesday.

Karpov Resigns Adjourned Game

SEVILLE, Spain (AP) — Anatoli Karpov, the challenger in the world championship chess match here, resigned the adjourned fourth game Tuesday without resuming play, the chief arbiter announced.

The game was adjourned Monday night with Garri Kasparov, the titleholder, two pawns ahead.

Mr. Kasparov's victory evens the score of the match at two points each. The winner of the 24-game series will be the first player to score 12 and a half points or achieve six victories. In the event of a 12-12 tie, Mr. Kasparov will retain his title.

GAME 4
ENGLISH OPENING

White Kasparov	Black Karpov	White Kasparov	Black Karpov	White Kasparov	Black Karpov
1. c4	Nf6	15. Rf4	c6	29. cxd5	R3e7
2. Nc3	e5	16. Ref1	Qe5	30. Rfb1	h5
3. Nf3	Nc6	17. Qd3	Bd7	31. a4	g5
4. g3	Bb4	18. Nf5	Bxf5	32. Bf5	Kg7
5. Bg2	0-0	19. Rxf5	Qe6	33. a5	Kf6
6. 0-0	e4	20. Qd4	Re7	34. Bd3	Rxb7
7. Ng5	Bxc3	21. Qb4	Nd7	35. Rxb7	Re3
8. bxc3	Re8	22. Bh3	Nf8	36. Bb5	Rxc3
9. f3	exf3	23. R5f3	Qe5	37. Rxa7	Ng6
10. Nxf3	Qe7	24. d4	Qe4	38. Rd7	Ne5
11. e3	Ne5	25. Qxe4	Rxe4	39. Rxd6+	Kf5
12. Nd4	Nd3	26. Rxf7	Rxe3	40. a6	Ra3
13. Qe2	Nxc1	27. d5	Rae8	Black resigns.	
14. Raxc1	d6	28. Rxb7	cxd5		

Moscow Holds Key, Peres Aide Says

JERUSALEM (Reuters) — An aide to Foreign Minister Shimon Peres of Israel predicted Tuesday that Prime Minister Yitzhak Shamir would accept an international Middle East peace conference if Moscow allowed Soviet Jews freedom to emigrate.

"If there is a significant change on the Jewish problem, there will not be a government in Israel that could say no to involvement in the peace process," said Yossi Beilin, director-general of the Foreign Ministry.

Mr. Shamir has repeatedly rejected a conference, saying its sole aim would be to force Israel to withdraw from captured Arab land to borders that are indefensible. He and Mr. Peres, leaders of rival parties, are partners in a three-year-old government coalition.

Poles Will Free Danes for $500,000

WARSAW (UPI) — A government spokesman said Tuesday that two Danes recently sentenced to long prison terms for spying can be freed with a payment of $500,000.

The spokesman, Jerzy Urban, said a military court in Koszalin "set a bail of a half million dollars for the freeing of two Danish spies." Poland has in the past accepted payments for the release of convicted agents.

Jenssen Ellekaer, 36, was sentenced to nine years and Niels Hemmingsen, 23, seven years on Sept. 5. Mr. Urban said the two, caught taking photos of military airports, had admitted they were members of the Danish intelligence service.

Ex-Soldier Finds Daughter in Vietnam

BANGKOK (AP) — A former U.S. Army medic, Barry Huntoon, flew Tuesday to the United States with the daughter he fathered in Vietnam 15 years ago and recently rescued from a life of selling peanuts on the beach.

Mr. Huntoon, now married with three children in the United States, met his half-Vietnamese daughter, Tran Thi Tuyet Mai, for the first time Oct. 12, when he went to Ho Chi Minh City.

He lost all contact with Mai and her mother in 1975, when the war ended, until he saw Mai's photograph in Life magazine two years ago. Contacts in the Philippines and Vietnam helped locate the girl in Vung Tau, where she was selling peanuts on the beach. The girl's mother is also expected to leave Vietnam soon.

For the Record

Kidnappers in Italy freed a clothing dealer late Monday, 19 days after they seized him from a sales room in Ercolano, just south of Naples. The police said the merchant, Gerardo Cozzolino, 26, was released in Casoria, on the outskirts of Naples. Unconfirmed reports said Mr. Cozzolino's family paid a ransom of 400 million lire ($311,000). *(UPI)*

Nasser Hassan el-Ali, a Palestinian who attempted to plant a suitcase bomb on an Israeli airliner last year in Madrid, was sentenced Tuesday to 47 years in prison by a Madrid court. *(Reuters)*

The death toll in the crash of two commuter trains in Indonesia grew to 162 Tuesday, with 270 people hospitalized. A rescue official said the toll could reach 200. *(UPI)*

TRAVEL UPDATE

Australian Unions Ban Fiji Flights

MELBOURNE (AFP) — Australian trade unions decided Tuesday to ban international flights between Australia and Fiji beginning Nov. 1 at the request of Fiji's unions, which charge they are being persecuted by the new government.

The bans would apply to Qantas, which operates three flights a week, Canadian Pacific and Fiji's national carrier, Air Pacific, according to Sam Crean, president of the Australian Council of Trade Unions. The council includes about 20 organizations.

The government of Colonel Sitiveni Rabuka, which took control of Fiji in a coup Sept. 25, has been accused of persecuting union officials. Mr. Crean said the two-week grace period was designed to allow tourists to leave Fiji.

The Prado Museum in Madrid was closed Tuesday at the start of a two-day strike by staff over pay, a museum spokesman said. *(Reuters)*

Moscow's four main airports handling both international and domestic flights have been closed for two days because of fog, leaving more than 19,000 passengers stranded in two domestic terminals since Monday, the official Tass press agency said Tuesday. *(UPI)*

DEATH NOTICE

CARDWELL, on October 18, Hugh Maitland Elliott. Formerly New School, Rome. Donations for Kew Gardens to his daughter, Catriona Cook, Burgate Farm, Harwood Dale, Scarborough, Yorkshire.

Assad Visits Bulgarian Leader

The Associated Press

VIENNA — President Hafez al-Assad of Syria arrived Tuesday in Bulgaria for talks with Todor Zhivkov, the Bulgarian president and Communist Party leader.

J.S. Democrats Urge Reagan to Join Them in 'Economic Summit'

By Tom Kenworthy
Washington Post Service

WASHINGTON — Democratic ongressional leaders, responding world stock market fluctuations, rged the Reagan administration n Tuesday to join them in an "econmic summit" meeting to resolve e nation's budget impasse and lated economic problems.

Nonetheless, a new round of reiminations broke out between apitol Hill and the White House ver a Democratic plan to raise axes, even as lawmakers from both arties said the tumult on the stock arket necessitated an end to the artisan squabbling that has arked this year's debate over the ation's budget and trade deficits.

There were appeals for a negotiled end to the budget stalemate as ongressmen worried about the imact of Monday's stock market mage, as well as a general realizaon that the government's fracred response to the fiscal deficit ad contributed to the economic eversal.

The House speaker, Jim Wright, alled for an end to "partisan political posturing, finger-pointing and lame placing." The Texas Democat urged President Ronald Reaan to join Congress in "convening n economic summit without crippling preconditions, to deal with merica's long-term structural roblems."

The Senate Democratic majority eader, Robert C. Byrd of West irginia, urged Mr. Reagan "to ace up to reality" by negotiating with congressional leaders on the eficit to "show the American people and investors all over the world hat this government is capable of cting."

The chairman of the Senate Budet Committee, Lawton Chiles, emocrat of Florida, introduced a esolution calling for such a summit meeting that included a long genda of economic concerns inuding the fiscal and trade deficits, ollar stabilization, and reduction f Third World debt.

Senate Republicans reacted cool to Mr. Chiles' resolution, calling too broad, but even Minority eader Bob Dole, a Kansas Repubcan, urged that a high-level conrence be convened to deal with that deficit out there (that) is pubc enemy number one."

However, in an appearance bere the House Budget Committee lay out details of $23 billion worth of across-the-board budget cuts that began taking effect Tuesday, White House budget chief James C. Miller 3d reiterated Mr. Reagan's position that he would not participate in budget negotiations with Congress if a tax increase is part of the agenda.

"It's a very bad situation and I don't think the President is in the mood to do that right now, although he might change his mind," said Mr. Miller. "If you've got taxes on the table, the president wants off."

The budget chief also held to the argument, first put forward over the weekend by Treasury Secretary James A. Baker 3d, that the push for higher taxes and "protectionist" trade legislation by the Democratic-controlled Congress had contributed to the dislocations on world markets.

His repetition of the administration's consistent hard-line rejection of any tax increase angered Democratic members of the budget panel. They promptly voted out legislation that partially meets this year's $23 billion deficit-reduction target by raising $12 billion in taxes and saving another $4.7 billion through changes in federal spending policies.

Despite the intensity of the partisan rhetoric on Capitol Hill yesterday, the financial shocks of the past week appeared to produce a new willingness among lawmakers to shoulder their share of the blame and to consider spending cuts that before seemed heretical.

"We're all part of the problem," said Representative Jim Slattery, a Kansas Democrat who is one of a growing number of moderates in his party calling for a balanced package of revenues and budget cuts.

■ **Budget Trimming Begins**

President Reagan began Tuesday to systematically cut $23 billion in spending from federal programs under the budget-balancing law, because he and Congress have failed to compromise on a plan to reduce the federal deficit more selectively, the Associated Press reported from Washington.

The cuts are temporary, with the money held in escrow, because the law gives Congress and the president a month to find alternative ways of reducing the deficit for the 1988 fiscal year. But the cutbacks become permanent on Nov. 20 if a compromise is not reached.

Bush, in Gamble, Edges Toward Political Center

By Gerald M. Boyd
New York Times Service

WASHINGTON — Vice President George Bush, in an uncharacteristic political gamble, has begun move toward the political center the hope of capturing the Republican nomination, aides and ther analysts say.

The shift, evident as Mr. Bush rmally announced his candidacy st week, is already fueling a new ound of debate over the true political attitudes of the vice president nd over what specific message he now trying to convey.

Although it was clear from the onsistent tone of his public peeches that he was seeking to esent himself as a moderate, it as far less clear from the specifics f those speeches where he was ying to place himself on the moderate-to-conservative spectrum.

"My sense of it is that he is ortraying himself as a moderate who wants to continue the basic irection of the Reagan revolution with no radical departure," said William Schneider, a political analyst with the American Enterprise nstitute, a Washington research group. "The subtext of the message s that he will pay some attention to he errors."

The position Mr. Bush has assumed was clear in his first formal week of campaigning, designed to resent what he termed "my passions" and "my agenda" for leading the country.

For example, he told supporters n Chicago, Cedar Rapids, Iowa, nd Atlanta that he would not support reducing the federal deficit hrough a tax increase, as some Democrats are supporting. But he made no comment on whether he would cut military spending.

In fact, as he discussed reducing he federal deficit, he said at one point that "tough decisions" had to e made on which spending cuts to make. At another point last week, efore the stock market collapse Monday, he said that a robust economic environment needed to be ontinued to limit the need for pending cuts. He said Congress nd the president had to "sit down nd make a deal" on a way to educe the deficit.

"I guess that I can't argue with he assumption that he is trying to move back toward the center," said Eddie Mahe, a campaign consulant, "but I guess I am at a loss to ay why."

Although Mr. Bush has denied hat he is distancing himself from he president, aides and other advisers say the tone struck by the vice president in the first week of campaigning was designed to indicate differences in how he would lead the country, compared with Mr. Reagan's approach.

Mr. Bush included in the announcement speech the statement that "a president can set a tone, an atmosphere, a mood," and he went on to call for a new harmony among the races and greater tolerance.

One adviser said: "What Bush said wasn't conservative or liberal, it is how the Republican Party ought to sound. It is how the Republican Party ought to be."

But some political analysts say Mr. Bush has rekindled the debate over his own political leanings, in which he has been presented at varying times as a moderate and a conservative.

That is especially the case, they say, because he left unclear specifics that might offer a better indication of where he is heading politically. The chief exception is on arms control. He voiced unqualified support of Mr. Reagan's tentative agreement with the Soviet Union to eliminate intermediate-range nuclear missiles.

The vice president did not offer programs and policies different from what Mr. Reagan has pursued to explain in detail his call for a "new harmony." When asked what he would do differently, he said merely that he that would use the White House as a "bully pulpit" to speak out against injustice and abuses.

Similarly, Mr. Bush said that he would use that pulpit to promote education, his top domestic priority, while keeping increases in federal spending to a minimum.

"We are not talking about a massive reallocation of money," he said, "but some reallocation of priorities."

Asked how about how he would ease the foreign trade imbalance, Mr. Bush said only, "I keep saying that is is getting better, but I'm not sure I'm right."

Cliff Owen/Reuters-UPI

EXECUTIVE GREETINGS — President Ronald Reagan arriving at Bethesda Naval Hospital to visit his wife, Nancy. Mrs. Reagan was "recovering very well" from her breast cancer surgery, a White House spokesman said Tuesday, and may go home by the end of the week.

AMERICAN TOPICS

Women Firefighters Contest Physical Tests

U.S. fire departments have been hiring women for the past decade. Today, the 218,000 paid firefighters in the United States include 1,500 women, or less than seven-tenths of 1 percent. But the number of women has tripled since 1983, according to estimates by Women in Fire Suppression, which supports women firefighters.

The New York Times says that perhaps the most contentious issue over hiring women involves tests of physical speed and strength. In New York City, applicants are tested, among other things, on how long it takes them to drag a 50-foot (15-meter) hose 75 feet, carry a 46-pound (20-kilogram) hose up three flights of stairs and crawl through a 25-foot tunnel. The New York Supreme Court has ruled that the test is valid. But hiring procedures are still being litigated in Cleveland, San Francisco and elsewhere.

Lauren Howard, who for years was the only woman in the Chicago fire department, said: "You have to ask yourself, if it was your child or mother, who do you want to go and get her down the ladder? Do you want somebody big, incredibly strong, extremely fast, or someone who is average?"

Linda Willing, a firefighter in Boulder, Colorado, is 5 feet 4 inches (1.64 meters) tall and weighs 112 pounds. She concedes she does not do some things well because of her size. But that same size means that "I'm the first one in to attic fires" and "I can stay longer in a fire than almost anybody I know — a lot of these big guys deplete an air pack in 10 minutes."

Short Takes

Richard Arrington Jr., the first black mayor of Birmingham, Alabama, has won a third four-year term with 64 percent of the vote to 35 percent for his white opponent. Mr. Arrington, 53, got 98 percent of the city's black votes and polled 10 percent among the whites, who make up 45 percent of the city's registered voters. "They're still not comfortable with me," Mr. Arrington said of the whites. "But I won't give up on them." However, race was not an issue in this election as it had been in the two previous ones, and Donald Newton, a white who heads the Chamber of Commerce, said, "There is a feeling of approval of what he has done."

"According to a survey taken in 1985, about 11,000 high school youngsters were taking Japanese," The Washington Post says in an editorial. "That's more than most people would have expected, and Japanese instruction is expanding rapidly. But that number still represents well under one-tenth of 1 percent of the country's high school enrollments." The Post says the vast flow of transactions between the two countries "moves through an astonishingly small number of interlocutors who know both languages, and at these crucial points of contact it is far more likely to be the Japanese partner who is bilingual."

Kevin Sweeney, press secretary to Gary Hart when the former Colorado senator was the leading contender for the Democratic presidential nomination, is now a waiter in a San Francisco restaurant. He makes occasional paid lectures, and says he has been offered posts in other political races in the $50,000 range, but cannot work up the required enthusiasm for the candidates. Mr. Sweeney, 29, says he is undergoing a kind of intellectual decompression, reading George Orwell's "Down and Out in Paris and London" and being reminded of "the unbelievably liberating qualities of abject poverty."

In New York's Bowery neighborhood, long a haunt of derelicts, Jonas Prager told The New York Times he saw someone carrying this sign:
HELP SUPPORT RESEARCH ON THE IMPACT OF WINE ON THE HUMAN BODY

— *ARTHUR HIGBEE*

Nicaragua Bars Catholic Radio From Broadcasting News

By Stephen Kinzer
New York Times Service

MANAGUA — The government has forbidden Nicaragua's newly reopened Roman Catholic radio station to broadcast news.

The station's first news program was to be broadcast at noon Monday, but employees said they were told late in the morning that any such transmission would be illegal.

The incident reflected the limits of recent steps toward expanded press freedom in Nicaragua. The country's Catholic hierarchy is associated with the anti-Sandinist opposition, and the radio station's director, the Reverend Bismarck Carballo, has had several clashes with the authorities.

Under terms of the new Central American peace accord, the government must guarantee "full freedom for television, radio and press" by Nov. 7. It would require other countries to stop aiding the rebels who are fighting to overthrow Sandinist rule.

Thus far, the government has taken two steps toward press freedom, permitting Radio Católica, the Catholic station, and the opposition newspaper, La Prensa, to reopen.

La Prensa, which had been closed for 15 months, resumed publication Oct. 1. Radio Católica reopened the next day.

"We were preparing the news show when an Interior Ministry official telephoned and told us that the show was not authorized," said an employee at the Catholic station. "They said we could not begin transmitting the show until we received permission."

A spokesman for the Interior Ministry had no comment.

The station once broadcast a regular news program, but the government ordered it to stop in 1982. From then until the station was closed four years later, it broadcast only veiled political commentary, often in a religious context.

Much of the station's programming is religious, but several news programs were planned.

The government has not acted on a series of petitions to allow other radio news programs to resume.

Nor has the opposition made any apparent progress in its effort to win a license to establish its own television station. A group of anti-Sandinist business leaders is seeking foreign aid to support such a station.

Last week, Oscar Arias Sánchez of Costa Rica, author of the new peace accord, said that the Sandinists would not be complying with the accord if they refused to allow a non-Sandinist television station.

The government has maintained a legal monopoly on television broadcasting since the 1979 Sandinist takeover. Several independent radio programs survive, but all operate under a form of self-censorship. The government halted more than 20 such programs when it imposed a state of emergency in 1982.

The peace accord requires an end to the state of emergency by Nov. 7. Senior Sandinist leaders have said repeatedly they intend to comply with all their obligations under the accord.

Unfulfilled Promises Erode Confidence in Latin Democracies

By Bradley Graham
Washington Post Service

BUENOS AIRES — The euphoria with which South Americans welcomed democracy's sweeping return earlier this decade has given way across the continent to frustration and disappointment with the results so far.

While popular support for democratic rule remains strong, public unhappiness with the way the new democracies are being managed has grown and begun to worry many inside and outside government.

The disaffection has yet to erupt into sustained street protests or other violence. But evidence indicates a disenchantment with politics and a lingering fear of repression. Signs of discontent are clear in opinion surveys, national elections and conversations with workers, politicians, diplomats, journalists, academics and others throughout the region.

Hopes persist that the democratic era will yet prove a historical turning point in a region long afflicted by swings between dictatorship and democracy.

Yet the failure of the free systems to deliver the economic gains, social advances and structural changes expected of them has soured national moods from Ecuador to Argentina and eroded the standing of all elected governments on the continent.

"There was perhaps an excessively optimistic vision in the beginning about what democracy could do," said Marcelo Cavarozzi, an Argentine political scientist. "People are now discovering it cannot work miracles. Hopes have faded, the euphoria has disappeared."

In Argentina last month, voters registered their disillusion, handing President Raúl Alfonsín's centrist party a stunning defeat in gubernatorial and congressional elections, with the historically authoritarian Peronist party the winner.

In Brazil, President José Sarney, a hero last year for temporarily taming inflation, has become the target of disparagement as his government muddles through political infighting and the economy slows.

Even the 38-year-old populist leader of Peru, Alan García Pérez, whose popularity rating hovered over 80 percent during his first 18 months in office, now is approved by only a third of the population, according to surveys.

Amid such gloominess, scattered voices in letters to editors and elsewhere have started calling for a return to military rule.

Democratic leaders have been moved to concede renewed prominence to the armed forces. In Mr. Sarney's case it is due to a lack of civilian political support for his presidency. In Mr. García's case it is due to the spread of terrorist activity. And in Mr. Alfonsín's case it is due to uprisings by officers opposed to human rights trials.

Never confident of democracy's staying power, armed forces in the region still regard themselves as the ultimate saviors of their nations. They rank among those most disgruntled with the way things are going. Some officers in Ecuador and Peru, in particular, make no secret of their wish to retake power to restore a sense of stability.

U.S. officials, whose encouraging winks and nods have been interpreted as green lights for military takeovers in the past, continue to make clear their support for today's insecure democracies. Quiet U.S. diplomacy may have been decisive recently in forestalling coup plans in Ecuador.

Eight years ago, only two democratic governments — Venezuela and Colombia — existed in South America. Today, only two military regimes — Chile and Paraguay — survive among the continent's 11 Latin republics. In Panama, the military wields power indirectly.

Some prominent South Americans, such as the Peruvian writer Mario Vargas Llosa, contend that the democratic experience is still the most promising the continent has ever known. Free expression has returned. Demagogic solutions to social and economic problems are out of fashion.

Argentina and Uruguay, the two countries with the largest middle class, are fighting to overcome years of stagnation just to climb back to income levels first reached a decade or more ago.

Brazil, whose resources and dynamism make it the most viable Latin American nation, is seeing its urban slums wracked by violence, its countryside unsettled by land conflicts and its health and education services decayed by neglect.

In Peru, an ominous Maoist insurgency has resisted all measures to contain it. In Bolivia, an astonishingly bold and painful effort to reorder the old tin-based economy still has far to go to lift the nation, which is the poorest in South America, out of its perpetual state of crisis.

Even established democracies are under strain. Colombia, home to drug barons, leftist guerrillas and rightist assassination squads, is convulsed by the highest incidence of peacetime violence in the hemisphere. Venezuela, its oil wealth diminished, is having to learn to live within tighter constraints.

Many had expected that the new responsiveness to popular wills would bring swift cures to enduring ills. South American officials blame themselves for fostering higher expectations than were achievable.

"People wanted to believe in miracles, but we should have conveyed a stronger sense of the difficulties involved," said Carlos Niño, a senior aide to Mr. Alfonsín. "Many are now saying we should urge people to be more realistic and recognize that no government can do much better under the difficult circumstances."

Former Reagan Official Tells of Slurs

The Associated Press

WASHINGTON — President Ronald Reagan's first secretary of education, Terrel H. Bell, says in a new book that midlevel administration officials made racist jokes and other "scurrilous" remarks during discussions on civil rights.

Mr. Bell said the slurs included references to the Reverend Martin Luther King Jr. as "Martin Lucifer Coon" and to Title IX, a federal law guaranteeing women equal educational opportunities, as "the lesbians' bill of rights."

A White House spokesman, Marlin Fitzwater, asked Tuesday whether there had been racist remarks, said: "I certainly haven't heard of any, and I think that would be wrong and, frankly, I don't believe it."

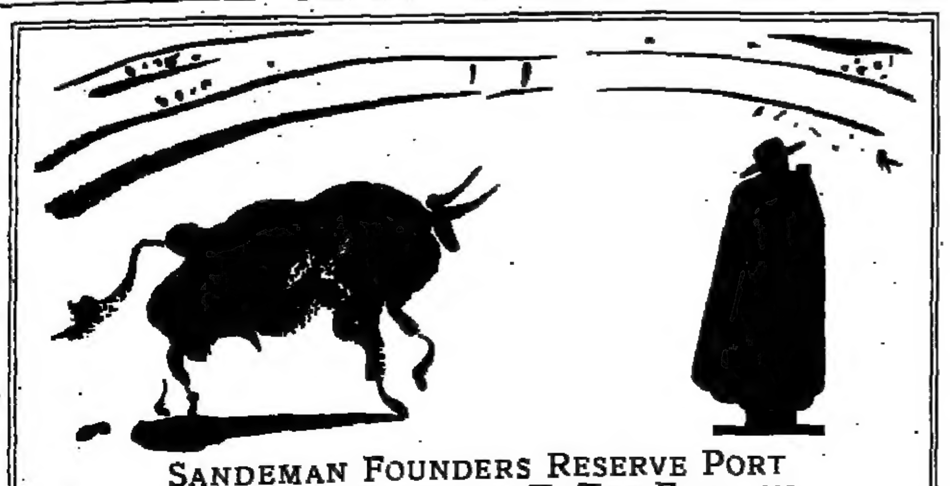
Mr. Bell's book is entitled "The Thirteenth Man: A Reagan Cabinet Memoir."

In it, he says that he was confronted with "evidence of apparent bias among midlevel right-wing staffers at the White House and at OMB," the Office of Management and Budget. "I was shocked to hear their sick humor and racist clichés."

He did not identify those to whom he was referring.

Mr. Bell said, "I do not mean to imply that these scurrilous remarks were common utterances in the rooms and corridors of the White House and the Old Executive Office Building, but I heard them when issues related to civil rights enforcement weighed heavily on my mind."

Mr. Bell left the cabinet at the end of 1984 after four years. He is now a professor at the University of Utah.



Attack Is Called Signal of U.S. Will in Gulf

By Lou Cannon and David B. Ottaway
Washington Post Service

WASHINGTON — The U.S. destruction of an Iranian oil platform Monday was intended as a signal that the United States has the political will to defend its interests in the Gulf, according to administration officials.

But the officials acknowledged that the action, while apparently acceptable to all factions within the administration and to Congress, left open the question of whether it would set off an escalating series of retaliatory attacks.

White House officials said President Ronald Reagan had insisted on retaliation but wanted a response that could be taken "without putting our people at risk."

A White House official said, "It was the president who was quite firm that Iran had not attacked a U.S. warship and our response should be something less" than a major escalation of the conflict.

A White House spokesman, Marlin Fitzwater, said the attack had been aimed at making "the important military and political point" that the Reagan administration intends to retaliate against Iranian actions that endanger the U.S. policy of escorting Kuwaiti tankers through the Gulf.

"It was the least provocative military response open to us," an official said.

U.S. officials emphasized that the attack had been conducted in international waters, avoiding the Iranian mainland, and had been designed to keep casualties to a minimum.

Mr. Reagan decided to retaliate within hours after an Iranian missile struck the Sea Isle City, a Kuwaiti tanker flying the U.S. flag, on Friday. But the choice of targets took many hours of meetings by subordinates, culminating in a presidential decision Saturday afternoon, officials said.

These officials said retaliation was first urged by Admiral William J. Crowe Jr., chairman of the Joint Chiefs of Staff, who met Friday with Mr. Reagan.

Admiral Crowe recommended that "it was necessary to take a military action that would result in damage to Iran's military capability; it should not simply be symbolic," said a Pentagon official familiar with the internal discussions.

Arab and administration sources said both Kuwait and Saudi Arabia were urging the United States to to take "firm action" and would have liked to see a U.S. strike on the Faw Peninsula, from which the Iranians fired the Chinese-made Silkworm missile that struck the Sea Isle City, anchored in Kuwaiti waters.

But an U.S. official insisted that these Arab nations were "not displeased" and realized that Faw presented a difficult problem because it is inside Iraqi territory held by Iran.

Officials said that the option of shelling the oil derrick, while limited, was acceptable because "it destroyed a radar operation that has been very bothersome in the Gulf."

They said the Pentagon had also recognized that there were "military complications" in taking out the Silkworms because of their mobility. There were even indications that they had been moved from their launching sites on the peninsula.

In selecting an Iranian target in international waters, the administration avoided enlarging its commitment either to the direct defense of Kuwait or to U.S.-flag ships based within Kuwaiti territorial waters.

The administration has not devised a policy for dealing with this "gray area" threat to U.S. shipping, apparently hoping instead to deter further attacks on U.S. ships inside Kuwaiti waters by showing Tehran through its destruction of the oil platform that there is "no free lunch" for aggressive actions.

Shultz Reports No Major Progress in Mideast Swing

By Don Oberdorfer
Washington Post Service

HELSINKI — The U.S. secretary of state, George P. Shultz, said Tuesday that he had made no major progress toward restarting the peace process in five days of discussions in the Middle East.

His comments, while en route to U.S.-Soviet meetings in Moscow on Thursday and Friday, reduced the already slim chances for diplomatic momentum between Arabs and Israelis in the remaining 15 months of the Reagan administration.

"I think we're a little ahead, but I really can't point to much on the peace process," he said, in summing up his personal diplomacy since Friday with Israeli, Saudi and Egyptian leaders in their capitals and with King Hussein of Jordan on Monday night and Tuesday in London.

"Realistically," he said, "I can't point to any particular thing that moves matters forward."

Mr. Shultz said that "we will keep working at it," but his inability to produce a breakthrough, new impetus toward a breakthrough or even the "creative ideas" he had hoped to find left little optimism that lower level or less intensive U.S. efforts could jar the parties toward a drive for a broader peace.

Restarting and extending the Middle East peace process, especially to deal with the future status of the Israeli-occupied West Bank and Gaza Strip, was the first and one of the most ambitious efforts of Mr. Shultz's tenure as secretary of state.

But after a surprise announcement on Sept. 1, 1982, of a Shultz-initiated "Reagan plan" for Middle East peace, the plan bogged down in the Lebanon conflict and seemed almost to evaporate after the U.S. pullout from Beirut in early 1984, which Mr. Shultz opposed.

Given the priority of U.S.-Soviet relations, the Gulf and Central America, the Middle East trip was considered by many to be Mr. Shultz's final peace initiative before it is too late for this administration to get something started.

In summing up his impressions while en route to Helsinki after a luncheon meeting in London with King Hussein, Mr. Shultz said an international peace conference as demanded by the king was still fraught with difficulty.

He said that perhaps greater emphasis should be given to the substantive Arab-Israeli issues that would have to be settled if and when negotiations get under way.

The substantive problems, which include territorial issues as well as questions of autonomy, control and independence in the predominantly Palestinian issues of the West Bank and Gaza, present "a very rocky road, too," he said.

Mr. Shultz had three long, separate meetings in Israel with Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres of Israel, who are at odds on Middle East peace issues.

A U.S. official traveling with Mr. Shultz said some gaps were narrowed but far from enough to suggest a start of new Arab-Israeli negotiations.

Mr. Shultz said Mr. Shamir still had "a problem" in according the Russians a role in an international conference.

In particular, he said, "it depresses" Mr. Shamir that Moscow voted last week to exclude Israel from the United Nations General Assembly even while saying they are interested in improving relations with Israel as a contribution to Middle East peace.

"The Soviets are pushing very hard for an international conference," he said, but the kind of conference they describe is "exactly the kind of conference the Israelis are shy of, and I agree with the Israelis."

ARTS / LEISURE

Ovation for Short, Snug Ungaro

By Bernadine Morris
New York Times Service

PARIS — Emanuel Ungaro Tuesday became the first designer to receive a standing ovation during the week of spring and summer fashion openings. His clothes were the shortest, snuggest and least concealing of any designers. As an apotheosis of the miniskirt and a tribute to the female body, they are not likely to be surpassed.

PARIS FASHION

The surprise is that in this time of liberated women such old-fashioned seductive styling would exert such a pull.

Retailers, including Kal Ruttenstein of Bloomingdale's, said they expected to barrel the clothes out by the carload as soon as they arrived in their stores. Private customers at the show sat on the edge of their seats almost holding their breath as they awaited the appearance of the next seductively draped style.

The designer has been working along these lines for some time. But these are surely the smallest, most tightly draped styles he has ever presented. Some dresses are no bigger than bathing suits. In draped leather or high-colored silks, they were usually accompanied by filmy silk coats, a necessary precaution if the wearer is going to spend any time in a public place.

Men's wear checks and plaids in black and white mingled with the most fragile flower prints in what passes for suits. Both blouses and skirts are tightly draped while jackets are full, except for the tightly belted waistlines. Except for some silk shantung chemises, dresses are clingingly molded and wrapped to the body. Everything is in glowing shades of green, yellow, pink or blue except for a few black silk dresses and these are worn with long colored gloves.

Evening dresses have ruffles, poufs or gathered swags of fabric at the hem, except for the ballgowns which are minis with rippling overskirts.

It is an anomaly in a time when women are entering the professions and driving trucks that such fantasy clothes would have so much appeal. But the cheers indicated that Ungaro is clearly the man of the hour.

Valentino, the Rome designer, showed clothes that looked relatively conservative. He threw a high gloss over fashion's new short shapes, but he offered the wearer the chance to breath. Fabrics looked luxurious and the detailing was wisely toned down. The result was quality clothes that look expensive and not too juvenile. Valentino brings a touch of reality to the short skirt era and makes short clothes look plausible.

He opened his show with the tailored suits for which he is famous. In glen plaids or white linens, his suits were sparked with tawny tiger stripes or leopard spots in blouses or belts. The navy suit, that spring perennial, looked jaunty with navy and white striped stockings and gloves with navy fingers and white palms. The spring coat is actually a jacket in such colors as orange, green or red. A new culotte skirt with a deep central pleat flares gently and moves gracefully.

Dresses in tiny flower prints have swingy tiered skirts, some with hems dipping to cover the back of the knees. Short skirts in twinkling fabrics will make attractive entrances on the evening fashion scene.

The short styles are so perky and good humored, they make the long evening dresses look heavy. His customers need them for balls and embassy parties, Valentino said. One of his compromises works well. It consists of skinny long pants and tops nestling under flowing organza overskirts. Not for embassy parties, probably.

Short as it is, the Christian Dior collection misses. Despite shots of strong color, it looks somber. Even the sun and flower motifs do not lift the mood.

Ungaro showed the shortest skirts in Paris.

Photographs by Joe Dorsey

Brilliant, Lyrical Duet for an Odd Couple

By Sheridan Morley
International Herald Tribune

LONDON — Tom Kempinski's "Separation," at the Hampstead, confirms that theater on its victorious path. Partially and often painfully autobiographical, it concerns a playwright who comes up with a two-character hit, not unlike Kempinski's own "Duet for One," but is then imprisoned by a mental breakdown that freezes his typewriter and makes him unable to leave a London flat.

The only other character in "Separation" is an off-Broadway actress crippled physically rather than mentally, but about to star in his play, and therefore on the telephone in search of advice. For most of the evening the two only converse by long-distance.

What develops from those conversations is an odd-couple romance interrupted on both sides of the Atlantic by acute anxiety attacks and all the agonies of a distantly passionate relationship between two people unable to live apart or together, unable to deal with themselves or each other, and yet invincibly determined to go on trying against all the odds.

Sure, this is a sentimental and schmalzy tale. But it is also a lyrical and loving account of a couple suddenly finding themselves on the fourth floor of a two-story building and uncertain what to do about getting down again.

David Suchet as the fat, middle-aged, insane pudding of a playwright and Saskia Reeves as his spiky, edgy, fragile actress give in Michael Attenborough's fluent production two of the most brilliantly touching performances of the year.

The National Theatre's current passion for moving huge community plays to the Cottesloe continues

THE LONDON STAGE

with "Entertaining Strangers," first performed by 200 amateurs in Dorchester two years ago. Now it is played by a cast of 30 professionals in a kind of walkabout arena setting through which members of the audience can wander, while ducking huge overhead platforms and clambering over actors in mid-scene.

David Edgar established with "Nicholas Nickleby" his mastery over huge and apparently impenetrable tracts of social history, and here he deals with another great 19th-century saga. This one in concerned with the West Country struggles between conservative religion (as represented by Tim Pigott-Smith's obsessive parson) and free-thinking capitalism (as personified by Judi Dench playing a fiery female brewer).

Peter Hall's production has its epic moments, not least the arrival of the first train in the town and then the sudden shocked realization that cholera has come there too. But, stripped of its original location and moved from a Dorset community hall to a London theater, the script seems to hover between a pageant and a play.

There is a theory, largely sustained by the kind of people who set French examinations in schools, that Molière's "Le Malade imaginaire" is a major classic in need of constant attention. In reality it has been for more than 300 years a thoroughly shaky little one-joke play about a fanatical hypochondriac trying to marry off his daughter to a doctor. Nothing in Nancy Meckler's often inventive but oddly humorless production for the Lyric Hammersmith can patch over the cracks that Molière himself used to fill in for the original staging with a lot of daft ballets.

In Alan Drury's translation as "The Hypochondriac," one already used by the National, Meckler updates the setting so we first encounter the bedridden Argan working out on a computer his current medical bills. After a somewhat shaky first-night start the production settled into a kind of manic, anachronistic farce held together where possible by Tom Courtenay's wan, pasty-faced patient forever at the mercy of his appalling wife, and the pirates and crooks whom Molière reckoned adequate representation of the medical profession.

DOONESBURY

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

After Black Monday

Testing the Fire Walls

Now the world will learn about the fire walls between the stock market and the real economy of jobs, incomes and production — and whether they work. Those fire walls have been built with great care in the 58 years since 1929 to prevent a financial panic from spilling over into the kind of general collapse that became the Depression.

Dire though it has been, the stock market crash of the past week is still limited to stocks. Long-term interest rates are up a little and the dollar is down, but so far the damage is confined. The crucial question is whether it can be kept confined.

In Monday's drop alone, some three-quarters of a trillion dollars in assets evaporated. Unavoidably, that is going to have a severe impact on the rest of the economy. It translates immediately into houses that will not be built and cars that will not be bought. Some kinds of companies are going to be squeezed hard for cash. Will they go under? The possibility of a recession next year is now much higher than it seemed a week ago. But recessions are controllable.

The market's fall is irrational, overshooting even the most pessimistic assessment of the economy's future. The Dow Jones industrial average has dropped by one-third since the peak last August, but the companies it represents have not lost a third of their value. The crash has been feeding on itself as each hour's losses forced people to keep selling regardless of value.

The 1929 crash came at a point when the American economy was already sinking steeply into a recession. The present one comes amid steady expansion. That is a crucial difference. But there are other differences that are less favorable. The United States is now an international debtor, as it was not 58 years ago, and that makes it vulnerable to the flows of foreign investors' money. Worse, it has backed itself into a position in which its government has very little latitude to shift policy.

The budget is locked in a corrosive quarrel that President Reagan seems unwilling to resolve. Interest rates are usually a government's readiest instrument for adjusting the economy to unexpected blows, but not this year in the United States. If the Federal Reserve Board tries to lower interest rates, the exchange rate of the dollar will fall and inflation will rise. If it tries to raise rates, it will make a recession more likely. If foreigners join the panic and try to pull their money out of America, rates will rise regardless of the Federal Reserve's intentions. All those years of huge deficits have left the U.S. government immobilized and incapable of acting independently.

That is unfortunate, but maybe not fatal. Historians draw three great lessons from 1929-33. First, don't engage in perverse policy that makes things worse, like tightening monetary policy in a deepening recession or passing a flagrantly protectionist Smoot-Hawley tariff. Second, remember that the international linkages are much more important than politicians thought in 1929, and that those politicians greatly aggravated their countries' misery by trying to go it alone. Third, recognize that leadership is essential and that it has to come from America.

You have heard an intolerable amount of bosh in the past seven years about the deep and infallible wisdom of markets. In fact, markets are perfectly capable of nervous breakdowns. You have just witnessed a historic example of it. They need regulation and, in times of trouble, strong guidance. There was very little of that in the months and years after 1929. How about 1987?

The past week's crash is, among other things, an intelligence test. It will show whether the United States, Japan and Western Europe are capable of understanding what has happened and of working together to deal with the consequences. There is nothing inevitable or foreordained about the movement of the economy in the coming months. It will measure the quality of the people who hold power in the world and, above all, in the United States.

— *THE WASHINGTON POST.*

Alarms Are Wailing

With stock prices down 22 percent in a day and foreign investors racing for the exits, Oct. 19, 1987, ranked by most measures as the worst day in Wall Street's history. But, frightening as it is, the market collapse is the alarm, not the fire. It need not lead to depression or even a major setback in employment and income. But the big economic powers finally have to fight the fire. They must, finally, coordinate a policy for stable growth.

Many investors were bloodied. Speculators who had borrowed heavily to bet on the rising market and were forced to liquidate to meet collateral requirements were hurt most. Millions of others — everyone from retirees with a few hundred shares of GM to conservative investors with a few thousand in mutual funds — suffered from the $503 billion loss in the value of listed stocks.

Even these stunning losses, though, should have little direct effect on the day-to-day economy. Kansas farmers will be able to grow as much wheat and Ford will be able to make as many station wagons. Consumers may feel a little poorer, and thus less willing to part with their cash, but economists believe that this "wealth effect" is a relatively minor factor in a $3 trillion economy.

So where's the fire? Gigantic budget deficits in the Reagan years have soaked up domestic savings, leaving America dependent on Japan and Europe for the capital to keep the economy moving. Foreigners have been happy to supply U.S. needs, trading stocks and bonds and real estate in return for cash. But nothing guarantees the continuing flow of foreign cash. Indeed, as Monday demonstrates, nothing prevents a sudden reversal, with foreigners scrambling to exchange dollars for yen or marks.

If foreign investors remain wary of U.S. securities because they fear a fall in markets or the dollar, the Federal Reserve will face a no-win choice. The Fed could make dollar investments more attractive by raising interest rates. Or it could allow the dollar to fall and expand the domestic money supply to replace the foreign capital. The first course would almost certainly cause recession; the second is a sure recipe for inflation.

The only real hope for maintaining both price stability and prosperity is to strike a deal with Tokyo and Bonn. They must reduce domestic interest rates, making dollar investments more attractive and increasing the demand for imports without squeezing U.S. credit. In return, the United States must sharply cut the budget deficit, reducing future dependence on foreign capital and increasing confidence in America's currency. And the economic powers need to pledge openly to intervene in foreign exchange markets to prevent a further slide in the dollar.

The White House asserted Monday that the "underlying economy remains sound." With the fire alarm wailing on Wall Street and the country anxious for leadership, it gets an astonishing rerun of Herbert Hoover. When will Mr. Reagan start fighting the fire?

— *THE NEW YORK TIMES.*

Don't Back Away Now

Even an armada of American and allied ships in the Gulf has not deterred Iranian attacks, as the Reagan administration hoped. It would be unwise to assume that Monday's U.S. raid on Iranian oil platforms will end the matter. On the contrary, this well-calibrated response to Iran's missile attack on two tankers in Kuwaiti waters prompts essential questions: What risks is the United States prepared to face in the Gulf, and is it prepared to take leadership?

Iran's strategy is to divide its opponents through fear. A united front led by the United States and centered on the containment of Iran is the proper response.

If, instead, America backs away, there is no telling the consequences. Iran might vanquish Iraq. Chances are that an ascendant Iran would pose even greater challenges to America's considerable interests in the region. Better to run the additional risks now, on two conditions: full support from Gulf and allied states, and a sharing of responsibility between the president and Congress.

Iran has raised the stakes, having threatened and even attacked U.S.-flagged ships and warships. It also forces allies and Arabs to glimpse the consequences of a possible Iraqi defeat. A triumphant Iran might try to dominate the Gulf states and Saudi Arabia, act on its war cry of liberating Jerusalem and destabilize moderate Arab governments.

Hence the United States has recently been receiving considerably greater cooperation from European navies and the states in the region. The choice now is whether to lead this alliance in containing Iran and preventing Iraq's collapse, or to decide that the risks are too high and withdraw.

Even with allied support, the risks are great. Tehran still pursues Ayatollah Khomeini's goal of overthrowing Saddam Hussein of Iraq. Iran has now renewed its pressure on Kuwait, an Iraqi ally, with missiles fired from the Fao peninsula. Unless suddenly deterred by the U.S. attack, the Iranians may fire more missiles at Kuwait. Destroying the missile sites, said to be heavily defended, may be no easy task. If the Iraqi air force cannot do the job, American planes and ships may need to be risked. That may be Iran's purpose, in the hope that Congress will demand a withdrawal from the Gulf.

Why should America get embroiled in this savage war? Because containing Iran is in the interest of the United States, the Gulf states, Europe and Japan. All look to America for leadership. If Iraq suddenly crumples, as is possible, it will be even harder to defend the oil-rich region against a victorious Iran.

The strains on Tehran's war policy could be heavier than may appear. The United States holds the ultimate power of closing the Gulf to Iranian exports. Such action would of course be unthinkable unless requested by the Arab states of the region.

Slowly, with confusion, the administration has been developing a coherent policy to contain Iran. It has thereby earned the right to take risks in the Gulf. But the mullahs in Tehran will test and provoke as long as they doubt their adversaries' resolve. One way to show it is for the allies and Gulf states to stand solidly together. Just as important, the White House needs to enlist congressional and public support by being persuasive about its policy and honest about the risks.

— *THE NEW YORK TIMES.*

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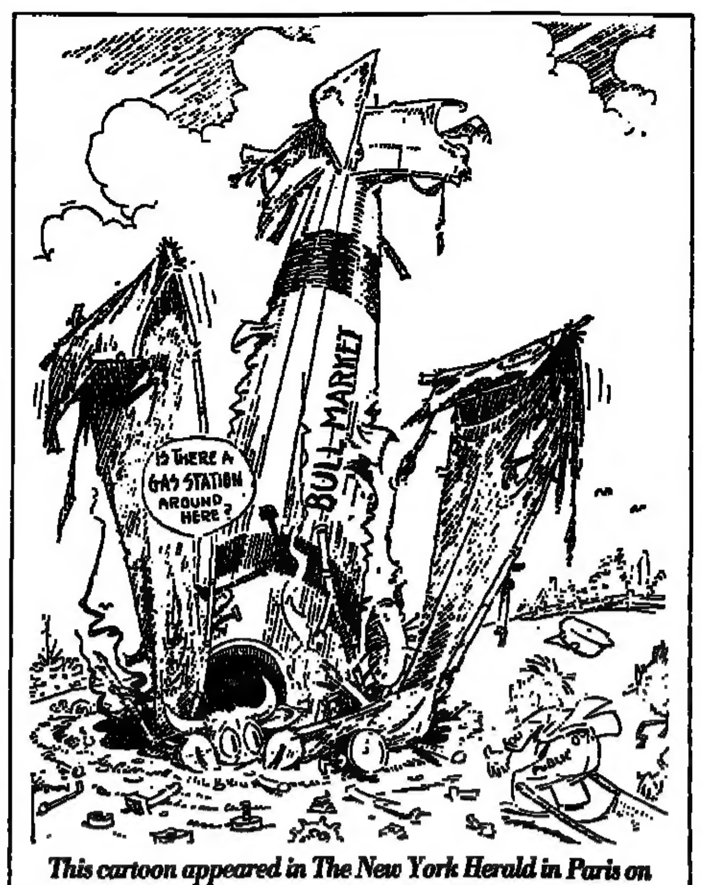
OPINION



This cartoon appeared in The New York Herald in Paris on Nov. 12, 1929, two weeks after the Wall Street crash of Oct. 29.

International Cooperation, Now

By Hobart Rowen

WASHINGTON — It was the Reagan revolution come full circle: The excesses of six years, visible in near-$200-billion-a-year deficits in both the budget and trade, could not go on forever. Under Ronald Reagan, the United States has accumulated as much national debt as in the rest of its history. It consumed and borrowed as if there were no tomorrow.

Americans have made believe that huge debts could be allowed to accumulate in the Third World and somehow failure of those loans could be neatly covered up on the books of the big banks. Never mind the fact that the United States has become the world's biggest debtor. In a pinch, it could always print money to pay it off.

Now the joyride is over. But so far the staggering, record stock market collapse, as it cascaded through the exchanges in New York, London, Tokyo and elsewhere, has been met with governmental denial reminiscent of 1929, when tycoon James P. Morgan tried to reassure the world by saying, "My son and I are buying sound common stocks." It didn't work then and it won't work now.

"The economy is fundamentally sound," says Treasury Secretary James Baker. And President Reagan, who gives every evidence of being totally out of touch with reality, tells reporters: "I don't know what meaning [the crash] might have. All the business indices are up. There's nothing wrong with the economy."

We can emerge from panic only if government leaders of the free world are able to see that while underlying conditions are not so grim as those prevailing in 1929, there is plenty wrong that needs to be addressed.

Clearly, in a fear-driven atmosphere, the markets, having skyrocketed too far, have overshot in the other direction. But it is up to the major powers — especially America, West Germany and Japan — to show the leadership that will restore confidence.

First priority must go to reduction of the budget and trade deficits — what former Commerce Secretary Peter G. Peterson calls the "twin towers." And that will require that President Reagan abandon his near psychotic aversion to any tax increase that would reduce the budget deficit.

Mr. Reagan cannot do it alone. To get the budget deficit down, a Democratic Congress will have to meet the White House half way by cutting expenditures. "The most constructive thing this government could do," said Felix Rohatyn of Lazard Frères on Monday, "would be for the White House and the Democrats to come up with a credible deficit reduction plan, including something like a gasoline tax, and a freezing of entitlement programs and military spending. If you had a better fiscal policy, then the Federal Reserve could reduce interest rates by, say, two percentage points."

That will be tough to accomplish, given the lame-duck inadequacy of the Reagan administration and the onset of a presidential campaign year. The overriding need at this point is bipartisanship. Moreover, in this kind of emotional crisis normal political infighting must be abandoned to assure the defeat of protectionist legislation.

More than ever, the global economy needs the restorative force of growth.

More than ever, the global economy needs the restorative force of growth — which would be stultified by the trade barriers that some members of the U.S. Congress are trying to erect.

But individuals and businesses in the private sector cannot look to government alone to pull them out of the present mess. For example, consumers in America must exert some self-discipline. What Americans can learn most usefully from Japan and other Asian countries is that working harder and saving more will pay off in the end.

In the next few critical days, investors in the United States, Europe and Japan will be looking for evidence that the recent weakening of the international resolve to cooperate on economic policy can be reversed.

Treasury Secretary Baker deserves great credit for having forged a network among finance ministers and central bankers who can work together. That is crucial in an age when global communication is instantaneous and markets are irrevocably intertwined. However, frustrated last week by West Germany's manic fear of inflation (at a time of zero rise in prices), Mr. Baker went public with a threat that America would go its own way in making policy. "He blew it," said an influential Wall Streeter. "In the midst of market uncertainty, a secretary of the Treasury should avoid anything that could hurt stability."

Mr. Baker, with the help of the West Germans (who have their own complaint about American foot-dragging on the budget deficit issue), is trying to repair the damage. "Can they get the genie back in the bottle?" asks economist Stephen Marris, who has been predicting some of the sorry events we have been experiencing. You should be able to get the answer to that question on Page 1 quite soon.

The Washington Post.

Sick From Predigested Market Analysis

IT COULD be that a critical mass of big investors has concluded that a major U.S. recession is now becoming inevitable. The Louvre accord on currencies is visibly crumbling, the dollar is losing its support, and either the Americans accept that imports will cost them a good deal more in dollar terms in future or they will have to suffer the rigors of even higher interest rates. Either way, the economic consequences of lower U.S. import demand will be felt around the world. The puzzle is [why] such a realization dawned so suddenly. The message may be that modern markets are too narrowly obsessed with predigested opinions. They have tremendous technological capacity for gathering global information, but the process of analysis turns out to be clumsy and even alarming. — *The Financial Times (London).*

A Lot of Valuable Stock Is Suddenly Less Expensive

By George F. Will

WASHINGTON — It is said that public officials seeking advice are usually just seeking accomplices. However, in times of turmoil they actually want advice. Then there is a need for the likes of Herbert Stein, who has been an observer of and participant in the formulation of economic policy for nearly 50 years.

Mr. Stein was chairman of the Council of Economic Advisers under Presidents Richard Nixon and Gerald Ford. He has two favorite propositions that are particularly germane today. The first is that economists do not know much. The second is that they know much more than the politicians and others who set economic policy.

These propositions are today grounds for a policy of "Don't just do something, stand there," meaning, let the markets work. Mr. Stein urges a modified form of that policy, allowing the dollar to fall but doing something by undoing some things.

The U.S. government said it will resist the decline of the dollar, and was not believed. It promised international coordination of policies, and was not believed. There is a new chairman of the Federal Reserve Board whose inclinations are not known. We have, Mr. Stein says, an "artificially uncertain situation." Uncertainty breeds anxiety, and hence volatility.

Mr. Stein recommends altering expectations by informing the world that the dollar will be allowed to fall as far as market forces drive it. Such a decisive movement would eliminate the destabilizing expectation that the dollar is going to fall further, which is fueling the flight from U.S. assets.

The only direct way to resist downward pressure on the dollar indefinitely is by raising interest rates. But that would fuel inflation and risk stagnation. True, a declining dollar would generate inflationary pressure (by making imports more expensive), but that should be treated as an exogenous event, something not to be responded to with the anti-inflation medicine of higher interest rates.

We are, Mr. Stein says, in danger of getting into "a kind of Keynesian trap." John Maynard Keynes said that expanding the money supply could not propel the economy out of the Depression because the enlarged supply of dollars would only be held rather than used to buy stocks and bonds, because yields of those instruments were too low. The parallel with today's situation is this: Increasing the supply of dollars might not drive down interest rates. Rather than remaining in the United States, invested in stocks and bonds, new dollars might flow abroad because of a (for the moment) unlimited demand for non-dollar-denominated assets, such as Deutsche marks or Japanese yen.

But no demand for anything is unlimited, absent irrationality. Today's need is for a restoration of reason, beginning with recognition of this: The dramatic change in the stock market is not a reflection of any change in the producing economy. In the economy there is steady noninflationary growth employing more people than ever before.

It sometimes seems that all economic news is bad (or can be so construed) and all news is economic news (in that it has economic consequences). But actually, no news is economic news because all significant economic events are, at bottom, political, as the stock market plunge shows.

It dramatizes the huge psychological component of all social arrangements. Everything, from the value of economic instruments (currency, stocks, bonds) to the authority of government rests on a willingness of the public to believe. The world runs on political as well as economic credit, a word with a Latin root: "to believe."

When the dust and the Dow Jones settle there will be time to ask: To what extent has government addiction to borrowing foreign capital and a large portion of domestic savings contributed to a general disbelief in the soundness of current arrangements? That is, to what extent has the indiscipline of government as a budget maker, which reflects the unrestrained appetite of government's sovereign, the electorate, subverted belief in the economic instruments by which we store the values we earn. A collapse of that belief can cause our lives' works to evaporate.

Although awfully costly, it is probably profoundly good for the nation to be forced to face the fact that the foundations of its arrangements are matters of (quite literally) faith. Faith must be earned, every day, by good habits. Congress, which has been unable to pass appropriation bills and can be manipulated by interest groups, should consider its daily contribution to the loss of confidence.

Out beyond Wall Street there is a country on which Wall Street depends, absolutely. Out there men and women are making things. And out in the larger world there is an enormous pool of money seeking profitable investments. Investors at home and abroad soon will see that in America, in what is still the world's strongest economy and safest haven for money, a lot of stocks are suddenly a lot less expensive than they were a little while ago. Then a bounce back will begin.

Washington Post Writers Group.

A Summit Puzzle Embarrasses ASEAN

By Michael Leifer

LONDON — As December draws near, the six governments in the Association of Southeast Asian Nations face a difficult decision about whether to go ahead with plans for a summit meeting in Manila.

For ASEAN's leaders to meet in a country recently destabilized by a military coup attempt and an upsurge in communist guerrilla activity could not only lead to political embarrassment but could also threaten their safety. The alternative, however, is to show a lack of confidence in the administration of President Corazon Aquino and collectively lose face by shifting the meeting to another ASEAN country.

Since ASEAN's founding in 1967, it has held only two meetings of heads of government: in Bali, Indonesia, in February 1976, and in Kuala Lumpur, Malaysia, in August 1977. It has long been agreed that the third meeting would take place in Manila.

Political conditions in the Philippines in the last years of the Ferdinand Marcos regime led to a postponement of a meeting. His fall from power in February 1986 and the accession of Mrs. Aquino gave ASEAN leaders an opportunity to make a show of faith in the association as it enters its third decade. The summit is scheduled for Dec. 14 to 16.

But the political consensus that brought Mrs. Aquino to power clearly has broken down. Her administration seems increasingly trapped between competing forces of left and right. In such circumstances, an ASEAN meeting could be used as a tool by those who are seeking to remove Mrs. Aquino from office.

Disorder could be orchestrated by the right to discredit the president during the meeting; or the more aggressive forces of the left might see an advantage in a spectacular strike, such as an attempt to kill an ASEAN head of government. A meeting held in a state of siege would not enhance the association's standing.

The current indecision does not only involve waiting to see whether Mrs. Aquino can reassert her authority. The other ASEAN members — Brunei, Indonesia, Malaysia, Singapore and Thailand — are reluctant to push for a decision because they fear that such pressure would be interpreted as a vote of no confidence, further undermining Mrs. Aquino's position. She herself may be reluctant to take any initiative. Should she push for a change in venue, it might be seen as an admission that she could not guarantee the security of fellow leaders.

Nonetheless, it probably would be better for ASEAN to cut its losses at this stage rather than to give the impression of being forced into a hasty decision at the last minute. The meeting is intended to inaugurate a third decade of constructive regional cooperation. Circumstances may have reduced the occasion to an exercise in limiting political damage.

The writer, back from an extended stay in Southeast Asia, is a lecturer in international relations at the London School of Economics and Political Science. He contributed this comment to the International Herald Tribune.

Missiles at Sea: It Started With a Green Flash Over Port Said

By Abraham Rabinovich

JERUSALEM — A green pulse of light in a Mediterranean sunset 20 years ago today signaled a new naval era, one whose ramifications have been painfully felt by U.S. warships in the current crisis in the Gulf.

The light was seen first by the starboard lookout on the Israeli destroyer Eilat as the light rose from the direction of Port Said, 13 miles (20 kilometers) to the southwest. The destroyer was nearing the end of a routine patrol, four months after the Six Day War. "Green rocket to starboard," shouted the lookout.

On the bridge, Captain Yitzhak Shoshan saw a bright ball of light. As he watched it through his binoculars, it changed course perceptibly and headed toward his ship. Though a cease-fire had been negotiated after the war, Captain Shoshan knew that this was no signal flare. The missile age at sea was beginning and he had less than a minute to try to save his ship and its 200 men.

As the ship's klaxon sounded a raucous alert, Captain Shoshan tried to turn the Eilat so that it presented its narrowest profile to the missile's radar. A machine gun opened up at the object hurtling down upon them. But an instant later the missile, a Soviet-made Styx, exploded in the boiler room at the heart of the ship, just above the water line. The adjacent engine room was destroyed and the ship was left powerless.

As the ship began to list, a lookout sang out again. "Missile to port." The Eilat had swung around to present its other side to the Egyptian boat firing from Port Said. Captain Shoshan watched the missile pass within 60 feet (20 meters) of him as it dove toward the ship's waterline. Twenty feet long and fitted with stubby delta wings, it looked like a small plane. Inside it carried more than 1,000 pounds (450 kilograms) of explosives. The explosion peeled back the deck amidships like a sardine can, leaving the ship's funnel lying across it.

In the darkness that had now closed in, Captain Shoshan ordered rafts readied for the wounded in case the vessel had to be abandoned. The radios had been knocked out before naval headquarters could be informed of the Eilat's plight.

After two hours, the communications officer managed to piece together a radio from spare parts and raised an Israeli army unit in Sinai: "We are opposite Port Said. We have dead and wounded and are listing badly. We have been hit by missiles."

Captain Shoshan assembled his crew and, using a bullhorn, outlined the likely timetable for a rescue operation. He ordered the wounded lowered onto rafts and told his men to stay together in the water. For orientation, they would swim toward the moon. Glancing at the tilting mast, he gave the order: "Abandon ship."

The captain glanced around the deck to ensure that no one was left when the now familiar shout came, this time from the water.

"Missile."

High to the west, the bright eye was again seeking them out. The Styx exploded on the Eilat's stern, knocking the captain backward against the starboard rail. He could feel himself being lifted over the rail as the ship tilted. Sliding down its side, his feet hit the stabilizer fin so hard that he broke vertebrae and could not use his legs in the water. Held afloat by his life belt, he pulled himself away from the sinking ship so as not to be sucked down. Looking back, he saw the bow pointing skyward. And then: "Missile."

With too little of the boat left to home on, the fourth missile exploded in the water. Captain Shoshan was hit by a powerful underwater shock that caused him to cry out. The blast proved fatal to many in the water.

The rescue went almost exactly as the captain had outlined it to his men — first came planes, dropping flares and rubber boats, then the dark shapes of torpedo boats picking their way carefully toward the survivors, and finally helicopters to hoist men up with their winches.

Of the 200 men aboard the Eilat, 47 had been killed and more than 100 wounded. (Three days later, on Oct. 24, heavy Israeli shelling devastated major Egyptian oil installations.) But the event was not just a tragedy for those involved. It changed the nature of naval warfare as dramatically as the introduction of naval guns or the appearance of the first ironclads. A small boat, firing from beyond the horizon, had destroyed a ship 10 times its size. It had demonstrated that vessels the size of patrol boats could unleash the punch of a cruiser while staying safely beyond range of their targets' guns.

The sinking of the Eilat caused a major upheaval in naval headquarters around the world, not least in the United States. No navy in the West had operational sea-to-sea missiles nor adequate defenses against the Soviet missiles, the effectiveness of which had been largely discounted.

Four years later, the Indian navy would sink several Pakistani vessels using Styx missiles. In the Falklands campaign, the British fleet lost two ships to Exocet missiles fired by the Argentines, even though it had sophisticated electronic equipment designed to stave off such attacks. And now the Gulf has become a shooting gallery for anti-ship missiles, which on May 17 caught the U.S. frigate Stark with its electronic defenses down.

In the 20 years since the Eilat sinking, only one navy has proved able to defend itself against missiles — as it happens, the Israeli navy. Even before the sinking, the Israelis were designing their own missile, missile-boat and anti-missile defenses. When the Yom Kippur war broke out in 1973, these elements were in place.

On the first night of the war, an Israeli task force — the first operational missile boats in the West — met a Syrian force off the Syrian port of Latakia. After sinking a torpedo boat and minesweeper, the Israelis turned toward three Syrian missile boats whose Styxes had twice the range of the Israeli Gabriel missiles.

The Israelis raised their electronic umbrella and charged. The Syrian missiles were deflected and all three Syrian boats were destroyed. Two nights later, three Egyptian missile boats were sunk off the Nile Delta as the scenario repeated itself — the Egyptians getting in the first shots but the missiles being diverted. In all, 54 Styxes were fired at Israeli missile boats during the war, and not one scored a hit. Gabriels sank at least half a dozen enemy warships in what remain the only missile-to-missile sea battles.

Far more attention has been paid to the Eilat sinking than to the naval battles of the Yom Kippur war, which at first were shrouded in Israeli secrecy and later went unnoticed even in the naval journals.

But if the Eilat's demise heralded a ferocious new weapon at sea, the battle of Latakia showed again that a formidable offensive threat will evoke a formidable defensive remedy. The Falklands and the Gulf have demonstrated that both the threat and the remedy must be taken more seriously. In the age of the missile, gunboat thinking will no longer do.

Mr. Rabinovich, a feature writer for the Jerusalem Post, is author of "The Boats of Cherbourg," an account of Israel's missile boats to be published next spring. He contributed this comment to the International Herald Tribune.

100, 75 AND 50 YEARS AGO

1887: Russia Fortifies

PARIS — Russian engineering officers are rapidly completing the system of defensive fortifications of the western frontier planned some years ago. At Warsaw, the eighth of the forts forming the *ceinture* of the defences of that strategic point has just been finished. Five more forts are still to be constructed within the *rayon* of Warsaw. A very great number of other fortifications calculated to make the Polish frontier of Russia almost impregnable against any advance of Germany or Austria, or even of the two combined, are being pushed forward with the greatest energy.

1912: Wilson Leads Poll

NEW YORK — The fourth instalment of the Herald's nation-wide canvass of the political situation indicates that Governor Woodrow Wilson is well in the lead for the Presidency, with Theodore Roosevelt second and President W.H. Taft third. Usually the speech making lasts until the eve of polling, but this time, owing to the attempted assassination of Mr. Roosevelt [on Oct. 14] and the chivalrous attitude of his opponents, there has been a cessation of hostilities. Dr. Wilson concluded his campaign last night [Oct. 19] by addressing an audience at Brooklyn.

1937: A Buying Spree

NEW YORK — Following up yesterday's late rally, the stock market bounded upward today [Oct. 20] in a scramble of buying which was kept up at breathless pace. The Dow Jones average for industrials rose steadily nearly eight points.

PARIS — Financial pundits seem still unable to account for what has been happening in Wall Street in the last few days. Perhaps the sun spots will help them, if Professor Harlan T. Stetson, of the Massachusetts Institute of Technology, is right in believing that sun spot changes are reflected almost immediately by the ticker.

MARKETS IN TURMOIL: Record falls on Asian and European exchanges

Plunge Continues in Europe But Rally Cuts Some Losses

Compiled by Our Staff From Dispatches

PARIS — Strong selling continued to buffet European stock markets on Tuesday.

Losses were cut after New York stocks began to rally, but the plunge continued later on most markets.

The key index of the London Stock Exchange plunged by a record 12.22 percent, but elsewhere percentage losses were kept to single figures. The Paris Bourse managed a gain, though of less than 1 percent.

London

Shares finished drastically lower, setting several new records in the most volatile and active trading day in the history of the exchange.

The Financial Times 100-share index, which was headed toward a drop of 300 points at one stage, lost 250.70 points for the day, closing at 1,801.60.

Tuesday's performance was even worse than Monday's, when the index skidded 249.60 points, or 10.84 percent of its value.

Shares plunged a record amount in the morning, then staged an unprecedented same-day rally in the afternoon, only to plummet again later in the day.

Morning trading was made more convulsive by news that British bank lending in September rose by £4.4 billion ($6.06 billion), exceeding market expectations.

Volume was 1.19 billion shares, compared with 837 million shares Monday, and exceeding the previous record of 1.15 billion set June 12.

The midday rally followed a statement by the chairman of the U.S. Federal Reserve, Alan Greenspan, that the Fed is ready to provide liquidity to support the economy and the financial system.

News that two major U.S. banks had cut their prime lending rates also boosted stock prices, many dealers said, and the recovery accelerated when Wall Street soared at its opening.

But many investors saw the rebound as an excuse to take profits, brokers said, and selling continued. Then Wall Street turned around as well and London shares slumped.

Analysts said comments by Sir Nicholas Goodison, chairman of the London Stock Exchange, that there was "no rational reason" for the recent heavy market fall helped to stem the selling wave.

Remarks from West Germany's finance minister, Gerhard Stoltenberg, that he could not rule out central bank action to support currencies also encouraged investors, dealers said.

Paris

French share prices recovered on news of a firmer start to Wall Street trading and a cut in U.S. prime rates.

The CAC index, the main indicator of performance on the Paris Bourse, rose 0.79 percent on Tuesday after plunging 9.7 percent on Monday.

Prime Minister Jacques Chirac appealed to French investors Tuesday not to panic after share prices fell in the morning.

Concerted buying by French state-owned financial institutions helped prop up prices and stem a selling wave by small investors at the bourse opening, banking sources said.

On the fledgling financial futures market, known as MATIF, trading was suspended twice because the recovery in prices was so strong that it breached the limit set for an individual session, even though the limit had been doubled for the day.

Frankfurt

Shares on the Frankfurt exchange closed mostly lower, but there was no clear trend among leading stocks, many analysts said.

Some of the most heavily traded shares continued to suffer from Monday's rout, falling 10 percent or more, dealers said.

The Commerzbank index slid 74.70 points, or 4.28 percent, to close at 1,669.40.

On Monday, the index plummeted a record 132.5 points, or 7 percent, to 1,744.10. The previous largest drop was a 98.5-point decline on Jan. 28, 1987.

Daimler-Benz, the car maker, plunged 47 Deutsche marks, to 593 DM, while Deutsche Bank dropped 37 DM to finish at 528 DM.

Elsewhere

In Zurich, where prices fell by more than 11 percent on Monday, the stock exchange postponed its opening for half an hour and suspended temporarily the rule that halts trading in a share if it drops more than 10 percent, an exchange spokesman said.

In Italy, the stock market regulatory body Consob delayed by one hour the opening of the Milan bourse and nine other stock exchanges after Monday's record falls.

The Milan MIB index finished 38 points lower, or 4.45 percent, at 815, compared with 853 on Monday.

Margin trading on the Madrid bourse was suspended.

The Madrid general index fell 16.35 points, or 5.4 percent, to close at 286.16, against 302.51 on Monday.

Dutch share prices continued Monday's slide as mainly private investors dumped stock, while institutional players snapped up some bargains, dealers said. The Amsterdam ANP-CBS general fell 22.50 points, or 8.4 percent, to close at 245.50, against 268.00 at Monday's close.

In Stockholm, dealers said the bourse suffered it worst day. "We thought we had been spared the panic which hit Wall Street, Tokyo and London in the past few days," one dealer said, "but it's a free-fall here now."

The Stockholm Affaersvaerlden index fell 63.40 points, or 7.01 percent, to finish at 840.90. On Monday, the index fell 61.80 points, to 904.30.

(AP, Reuters, UPI)

Tim Clark/The Associated Press

DEPRESSED — An exhausted Toronto trader sits slumped in his chair. Panic selling there caused the main TSE 300 Index to plunge 400 points, or about 11 percent, on Monday, and 646 points, or 17.97 percent, on Tuesday, to a close of 2,952.

U.S. Economic Policy Adrift, Many in Europe Say

The Associated Press

LUXEMBOURG — The sell-off on world stock markets has hardened the view in Western Europe that U.S. economic policy is adrift and has become the root cause of global economic instability, many analysts said Tuesday.

They said it was widely believed in Europe that Monday's stock market slide was triggered in large part by a collapse of confidence by investors that the Reagan administration is capable of correcting the huge U.S. budget and trade deficits.

"The feeling is that there is a real power vacuum in the United States," said Bill Bracey, an economist at Savory Milln Ltd., the London brokerage firm, "that no fundamental corrective action will be taken this side of the next election."

Mr. Bracey and other analysts and officials said that European governments are frustrated by their inability to insulate their economies from the effects of U.S. policy.

They said they are worried that a continued slump in the U.S. stock market could trigger a recession that would spread to Western Europe and the rest of the world.

"There is a certain amount of resentment at this here," Mr. Bracey said.

Jacques Poos, Luxembourg's treasury minister, said he believed the major industrial powers should convene an emergency meeting to clarify the U.S. role in efforts to correct global imbalances.

"The origin of this crisis is the situation inside the United States," he said. "These huge imbalances are in a country that has the leading currency in the world."

This view was echoed by other officials, including Sir Nicholas Goodison, chairman of the London Stock Exchange.

> **'The feeling is that there is a real power vacuum in the United States.'**
>
> ***Bill Bracey, economist at Savory Milln***

In a radio interview, Sir Nicholas said he believed world stock prices would stabilize once investors "realize that the problems of the world mainly center on countries other than the United Kingdom, particularly the U.S.A.," which, he said, must get its deficits under control.

Mr. Poos said that the Reagan administration must push harder for cuts in government spending, to help reduce the budget deficit. It also should curb imports and ease the trade deficit, he said.

He said Europeans were becoming increasingly disillusioned at the failure of the Reagan administration to fulfill its promise to cut the budget deficit.

This promise was at the center of an agreement in February among the six major industrial nations to try to stabilize the dollar.

Monday's record fall on the New York Stock Exchange, which quickly spread to other major financial centers, showed that Europe cannot escape the effects of economic volatility in the United States, analysts said.

Francis Uyttebrouk, an economist at the Brussels office of Chase Econometrics, the consulting firm, said he feared that a sustained slump in U.S. stocks could lead to a further rise in interest rates.

That, he said, could lead to a recession that would spread to Western Europe.

In a front-page editorial Tuesday on the stock market crash, the conservative French daily Le Figaro said it was "high time" that the world's major industrial nations "decide once and for all to put order in the international monetary system."

Shares Plummet In Asia After Drop In Dow on Monday

By Michael Richardson
International Herald Tribune

SINGAPORE — Asian stock markets plunged by record amounts in frantic trading Tuesday as investors scrambled to bail out after Wall Street's unprecedented collapse.

Analysts said a combination of fear and forced sales after the Wall Street slide caused share indexes in Japan, Australia, New Zealand, Singapore and Malaysia to post their largest single-day point falls.

In Hong Kong, stock market authorities suspended trading for the week, citing the need to protect investors and allow brokers to sort out earlier trades.

The analysts predicted that unless markets in the United States and Europe steadied soon, the stock market rout in the Asia-Pacific area was likely to continue, clouding otherwise bright prospects for economic growth in many countries.

"We are very much in the hands of New York," said Hugh Peyman, head of South East Asian research for Merrill Lynch Pierce Fenner & Smith in Singapore.

Takahashi Johsen, research director at Mitsubishi Research Institute in Tokyo, said the plunge in the Japanese stock market, the world's largest, had "gone beyond its economic fundamentals."

Tokyo

On the Tokyo Stock Exchange, the widely watched Nikkei stock average nosedived a record 3,836.48 points, or 14.9 percent, to close at 21,910.08. Volume was lower than normal. The drop far outstripped the previous record one-day point fall of 831.32 on April 27.

After the market closed, the Tokyo Stock Exchange relaxed restrictions on margin trading in a move calculated to bring back buyers. The change will raise to 50 percent from 30 percent the share of a stock that can be purchased with a loan.

The previous record one-day percentage fall was on March 5, 1953, when the imminent death of the Soviet premier, Josef Stalin, sent prices tumbling 10 percent.

The Nikkei average lost 620.18 points on Monday. Since hitting a high of 26,646.43 one week ago, the index has lost nearly 18 percent of its value, which is estimated at more than $2.5 trillion.

However, Tokyo bond prices surged as investors concluded that the stock market's collapse precluded the central bank from carrying out a widely rumored increase in its discount rate, now at 2.25 percent.

Bond prices also benefited from a flow of funds out of stocks, and the 10-year benchmark issue jumped about 1.20 points to 96.46 from Monday's finish. The yield dropped about one-fifth of a percentage point to 5.71 percent.

Japan's Finance Ministry asked the four major securities houses in Tokyo to help calm the market, but brokers said the companies made big losses as they bought shares that continued to fall.

By the close of the day's trading, only 753 issues were quoted, 14 percent of the total market. Only seven issues were higher, and 597 registered maximum single-day losses allowed by the market.

Volume was estimated at just 500 million shares, about half the usual level for morning trading alone.

Sydney

The Australian share market, as measured by its major stock index, closed a mammoth 24.9 percent lower Tuesday after a day of unprecedented selling.

The All Ordinaries Index fell a record 515.6 points to close at 1,549.8.

Hong Kong

The closing of the Hong Kong Stock Exchange on Tuesday came a day after frenzied selling led to its largest one-day decline.

The Hang Seng Index lost 11 percent of its value on Monday, falling 420.81 points to 3,362.39.

Singapore

Frantic selling on the Singapore Stock Exchange on Tuesday sent the Straits Times Industrial Index plunging a record 226 points to 996.82 points, brokers said.

The index had already registered a record single-day drop on Monday of 169.14 points, to 1,223.28.

French Privatization Strategy Is Jeopardized . . .

By Joseph Fitchett
International Herald Tribune

PARIS — The stock market crisis in France has jeopardized the conservative government's strategy for industrial modernization, but the decisive political impact depends on whether collapsing French share-prices trigger a recession, politicians and analysts said Tuesday.

"We can weather it," said Jacques Toubon, secretary-general of the neo-Gaullist party led by Prime Minister Jacques Chirac. He added: "What worries me is less the stock market and more the monetary repercussions of the crisis, particularly interest rates."

Asking how much French voters will blame the share-price crisis on Mr. Chirac's policies, sources contended that the government could blunt criticism by stressing that all industrial nations had been engulfed by the crisis, not just France.

Blame for triggering it is being deflected to other nations, mainly the United States and West Germany, where the central bank has resisted pressure to lower interest rates and reinforce economic confidence.

A former French minister of finance, Jacques Delors, head of the Commission of the European Community in Brussels, said on French radio that James A. Baker 3d, the U.S. secretary of the Treasury, "was a fireman who is having the effect of an arsonist."

He was alluding to comments by Mr. Baker over the weekend that upset the markets. The markets interpreted his remarks as talking down the dollar and publicizing friction between the United States and West Germany.

"It's clearly not the fault of French policy; it comes from deficits in the United States," said Jean François-Poncet, a conservative senator and former foreign minister.

But Mr. Chirac's prospects in presidential elections next spring seem likely to lose ground to rivals such as President François Mitterrand, who is a likely Socialist candidate for re-election, and Raymond Barre, who succeeded Mr. Chirac as prime minister in 1976 and acquired a reputation for economic sagacity.

Conservatives, including Mr. Chirac, and Socialist leaders have pursued policies in recent years of encouraging the development of a stock market fully integrated into the world financial system.

But the stock market panic has hit France at a sensitive juncture of economic modernization. A mainspring of the Chirac government's ideology is "privatization," the process of putting state-owned industries, banks, media and insurance companies into private ownership via the stock market.

Now the scope and pace of the government plans seems bound to suffer. Most of France's 10 privatized companies were still trading above their original cost to the public, but large paper profits had been wiped out.

"Financially and psychologically, this is bound to dampen demand for new issues," according to Paul Horne, a Paris-based international economist for Smith Barney, the brokers.

AFP

Jacques Chirac

The capacity of French and foreign investors to buy large companies has been the subject of a technical debate among politicians and economists in France, and Socialist members of parliament are expected to accuse the government of moving too fast with privatization.

The crash has hurt the government's credibility with special force because French people are traditionally uneasy about channeling their savings into the stock market.

Leftist politicians are finding fault with the government on technical and moral grounds. They are accusing the government of overestimating the market's ability to digest rapid, ambitious privatization and of lulling voters with promises of prosperity by speculation.

But the major French opposition groups appear badly placed to make direct political capital out of the woes of the Paris Bourse.

The bull market, which rose fivefold between 1982 and last summer, took off under the Socialists, in power in France from 1981 until they lost their parliamentary majority last year.

The Socialists started the campaign to liberalize the securities industry in France, and they frequently cited the stock market's performance as evidence of their successful management and proof of their conversion to free-market principles.

In France, prominent politicians have called for immediate international crisis consultations, a polite formula for obtaining help from the United States, West Germany and Japan to offset the effects of the crash.

French economic activity could be stimulated by a cut in interest rates, currently Europe's highest at 12 percent. But the French government cannot risk making credit cheaper unless interest rates come down first in West Germany.

"The key is in Bonn and Frankfurt," said Mr. Horne of Smith Barney. "If France grinds to an economic slowdown, the political fallout for the government will be severe."

. . . *And Britons See Ebbing of 'Popular Capitalism'*

By Reginald Dale
International Herald Tribune

LONDON — Many economic analysts said Tuesday they believed that the government's policy of "popular capitalism" through wider share ownership had suffered a serious setback in the wake of record stock declines in London.

More widely, they fear that the international consequences of the crisis could pose problems for the rapidly expanding British economy.

Immediate attention focused on the government's £7.2-billion ($12-billion) offer of shares in British Petroleum Co., with an Oct. 28 closing date, regarded as the linchpin of the privatization policy.

Nigel Lawson, the chancellor of the exchequer, said Monday that the sale, the biggest in British financial history, would go ahead, because it had already been underwritten.

He appealed in an interview with the British Broadcasting Corp. to the millions of small investors who have entered the market in recent years, with the strong encouragement of the Conservative government, to "keep calm" and "stay on the roller coaster."

But market analysts said they expected that the small private investors whom the government wants to attract would be extremely nervous about taking up the offer and that the dozens of underwriting financial institutions would have to buy most of the shares and bear any losses.

BP shares on Tuesday closed 50 pence below the official 330-pence offer price.

"Are people prepared to buy shares when they see that they go down as well as up?" asked Christopher Johnson, chief economic adviser to Lloyds Bank. "I would have thought not."

"This will be the real test of the government's privatization policies," he added, noting that previous government share sales had all benefited from a bull market.

Andrew Britton, director of the National Institute of Economic and Social Affairs, a leading independent forecasting organization, said that people had previously thought that buying government shares was "a sure way of making money."

The events of the past two days "will have corrected that illusion," he said.

Numerous analysts predicted that the government's plans to privatize the water and electricity industries in the months ahead would now be much more difficult.

Nevertheless, the political consequences for Prime Minister Margaret Thatcher might not be too serious, Mr. Britton predicted.

Mrs. Thatcher has been trying to widen support for her government and its economic policies by extending share ownership more widely throughout the general population.

Mr. Britton, however, said that most of those who were going to buy government shares had probably already done so in earlier privatizations, such as those of the gas and telephone industries.

More generally, however, analysts were concerned that Britain was particularly exposed to the risk of a downturn in the U.S. and world economies that could be precipitated by the latest financial upheavals.

Mr. Lawson insisted that "the only way in which the American economy would go into recession is if it actually talks itself into recession."

He said he saw no fundamental reasons why the U.S. economy should suffer a recession, "and indeed the possibility of higher interest rates would certainly in my judgment not lead the American economy into recession," he said.

Some private analysts said, however, that the international stock markets were a leading indicator of the economic cycle and that they were signaling a worldwide downturn, particularly in the United States, where growth might fall to 1.5 percent next year.

British analysts agreed that Washington would have to increase taxes and probably accept a further moderate fall in the dollar in the months ahead.

A tax increase would help cut the budget deficit and reduce the trade deficit by dampening the economy, they argued.

Slower U.S. growth would be particularly unwelcome for Britain at a time when it is risking balance-of-payments difficulties by expanding faster than its main trading partners.

NYSE Most Actives

	Vol.	High	Low	Last	Chg.
AT&T	47806	28¾	25⅞	27¼	+3½
IBM	37481	120	111½	113	+9¾
AExp s	30481	29½	21	22¼	— ¼
GenEl s	28433	46¾	42	42¼	+ ⅜
DaylHd	26413	33	25	26½	—3½
NL Ind pf	24930	13	12⅞	12⅞	— ⅛
Gillete s	24693	28¼	21¾	28	+4
Exxon s	23775	40	37⅝	37½	+4
NtSemi	23268	14⅛	11¼	11½	—3½
Navistr	22951	5⅛	4½	4¾	— ⅛
SFeSoP	22948	45½	40¼	40¾	—1¾
Waste s	22174	40⅝	30½	32	+1
FordM	21998	79¼	65	67¼	—1⅞
GAF	19746	38	33	33½	—1½
GMot	19157	65¼	53½	54¼	+4¼

Market Sales

NYSE 4 p.m. volume	608,120,000
NYSE prev. cons. close	656,133,730
Amex 4 p.m. volume	43,370,000
Amex prev. cons. close	35,410,000
OTC 4 p.m. volume	284,117,100
OTC prev. 4 p.m. volume	223,929,600
NYSE volume up	329,396,700
NYSE volume down	250,574,700
Amex volume up	8,326,200
Amex volume down	32,327,300
OTC volume up	n.a.
OTC volume down	n.a.

NYSE Index

	High	Low	Close	Ch'ge
Composite	138.47	122.48	133.04	+4.42
Industrials	161.57	147.94	158.26	+4.79
Transp.	122.50	109.12	118.04	—0.65
Utilities	66.81	63.65	66.81	+5.18
Finance	121.74	112.41	117.16	—0.41

Tuesday's NYSE 3p.m.

Via The Associated Press

AMEX Diary

Not available at press time

NASDAQ Index

	Close	Ch'ge	Week Ago	Year Ago
Composite	327.79	—32.4	434.81	353.10
Industrials	333.85	—35.9	461.97	349.12
Finance	418.64	—35.2	514.16	476.04
Insurance	362.16	—35.0	461.46	429.52
Utilities	317.33	—33.8	419.52	322.62
Banks	382.52	—32.6	480.79	407.14
Transp.	320.49	—20.8	406.29	334.22

AMEX Most Actives

	Vol.	High	Low	Last	Chg.
HmeSh s	6476	8½	6⅛	7¼	[illegible]
WangB	4739	14¾	10⅝	11⅛	[illegible]
Telesph	3743	6½	3	3½	[illegible]
ENSCO	3632	4⅞	2⅞	3¾	[illegible]
Alza	3526	25⅞	20	20⅞	[illegible]
NY Time	3158	34¼	32	32	[illegible]
TexAir	3065	18¾	13¼	13½	[illegible]
WDigitl	2981	20¼	14⅞	15⅝	[illegible]
Amdahl	2848	35½	33	33¾	[illegible]
Hasbr s	2601	14½	12¼	12¼	[illegible]
LorTel	2693	9½	5	5⅝	[illegible]
EchB g s	2565	20⅛	19¼	20⅞	[illegible]
FAusPr	2531	7⅜	6⅛	7¼	[illegible]
Custmdv	2427	1⅝	1⅛	1⅝	[illegible]
A-ar12 sc	2359	10	7	7¾	[illegible]

Dow Jones Bond Averages

	Close	Ch'ge
Bonds	82.60	+1.34
Utilities	80.49	+0.97
Industrials	84.71	+1.71

NYSE Diary

Not available at press time

Odd-Lot Trading in N.Y.

	Buy	Sales	*Sh'rt
Oct. 19	729,361	2,085,013	8,742
Oct. 16	376,782	1,030,737	6,281
Oct. 15	311,756	747,037	5,203
Oct. 14	300,782	623,641	9,611
Oct. 13	254,938	491,109	2,665

*Included in the sales figures

Dow Jones Averages

	Open	High	Low	Close	Ch'ng
Indus	n.a.	1,941.64	1,707.06	1,841.01	+102.3
Trans	n.a.	813.09	698.37	756.66	—21.21
Util	n.a.	175.20	161.45	170.46	+9.48
Comp	n.a.	728.72	645.51	706.21	+35.54

Standard & Poor's Index

	High	Low	Close	Ch'ge
Industrials	272.95	252.18	270.05	+12.24
Transp.	196.81	176.04	189.34	+0.82
Utilities	102.46	96.07	102.46	+10.66
Finance	23.34	21.37	22.66	+0.89
SP 500	238.26	221.39	236.83	+11.99
SP 100	—	—	232.89	+16.5

NASDAQ Diary

	Close	Prev.
Advanced	214	137
Declined	3,571	3,573
Unchanged	1,079	1,152
Total Issues	4,864	4,862

AMEX Stock Index

High	Low	Close	Ch'ge
262.50	250.83	258.16	[illegible]

MARKETS: *Prices Rebound, Dow Up 102*

(Continued from Page 1)

Due to the extraordinary volume of trading on Wall Street, these pages include prices as of 3 P.M.

largely caused by the stock market drop, bond dealers said.

Investors searching for a safe harbor funneled money into U.S. Treasury securities, especially short-term bills, pushing their yields sharply lower. The bill rates, which help determine the overall level of U.S. interest rates, convinced stock investors that corporate earnings would not be decimated by higher borrowing costs.

Dealers said investors floundered helplessly between optimism over the big drop in interest rates and pessimism over the chance of a recession — possibly triggered by the stock market's plunge itself.

Consequently, trading was skittish. Many blue chip issues opened late — and sharply higher — because of the preponderance of buy orders. The early gains accelerated into a 200-point Dow advance.

But at midday, under pressure from margin calls, mutual-fund redemptions and computerized selling programs, trading halted in many blue-chip issues because sellers could not find buyers. The Dow erased its advance and fell 12 points.

In the early afternoon, the Dow rallied another 90 points, then lost most of that advance. At about 2 P.M., the index began rising again, racking up a 180-point gain before retreating to closing levels.

"It was a reasonably scary day," Mr. Shopkorn said. "At one point the exchange closed down a whole lot of big stocks because there were sellers and no buyers. There was no one to buy stocks, not even the specialists. The auction market ceased to function."

These trading halts prompted the Chicago Board of Options Exchange, the Chicago Mercantile Exchange, the American Stock Exchange and the New York Futures Exchange to suspend trading in stock-index futures contracts and options for about an hour at midday.

"When they closed down all these stock-index options and futures, the stock market went straight up," said Asher B. Edelman, a New York investor. "When they opened up again, the market went straight down."

"We're in a bear market, obviously," said Peter Furniss, managing director at Smith Barney, Harris Upham & Co. "The public's spirit has been shattered."

But Mr. Furniss argued that when the emotion is drained, investors would have the best buying opportunity they will see this century.

"General Motors is yielding 9 percent on its dividend and selling for $60 a share," he said. "General Electric, the best-run company in the country, is selling for $46 a share."

Fears over unstable international monetary policy, rising interest rates and inflation triggered aggressive selling two weeks ago. The Dow dropped 235.48 points last week, or 9.5 percent, after slumping 158.78 points the week before.

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	3 P.M. Quot.	Ch'ge
30¼	14¼	Brnwk s	.30	1.9	10	7409	21½	16	16	+1⅝
44½	25⅞	BrshWl	.60	2.4	19	553	28¼	25¼	25¾	—3¼
26¼	19¾	Buckeye	n2.20	10.8	9	399	20½	20⅜	20⅜	— ¼
41⅝	21⅝	Bundy	.72a	2.4	16	26	38⅝	38	38	— ⅝
23½	18¼	BunkrH	2.16	12.1		21	18½	17¾	17⅞	— ⅛
21⅞	14	BKInv	1.86	13.8	10	84	14	13½	13¾	— ⅝
34½	17¾	BurlnCt			10	58	17¾	17	17	— ¾
84¼	52	BrlNth	2.20	4.3	11	5538	56	51½	51½	— ½
20⅝	12⅞	Burndy			15	102	14¼	13	13	—1

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	3 P.M. Quot.	Ch'ge
14	6	CntlInfo			6	863	7	6⅝	6⅝	— ⅜
38¼	24⅝	CtData				3229	28¾	22¾	22½	—5½
8¾	5	ConvHld				446	5	4⅝	4⅝	— ½
14¼	10¾	CnvHd pf	1.30e	13.0		61	10⅜	10	10	— ¾
3⅝	⅜	viCookU				53	⅝	⅜	⅜	— ⅝
26¼	8	CoopCo	.40	5.5	1	1964	10	7¼	7¼	—1¾
74½	37¾	Cooper	1.68	3.6	15	1891	52⅝	46½	47	+ ¼
39¾	23¾	CoorTr	.44	1.8	9	329	27¾	25	25	—1
12⅝	5⅝	Copwld				213	10	9½	10	— ¼
25½	17½	Copwld pf	2.48	10.6		13	23¾	23⅜	23½	— ½

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	3 P.M. Quot.	Ch'ge
41	23⅛	Fidcrst	.68	3.1	9	448	23	22	22	—1¼
20	12¾	FltrtA	.44	3.5	14	69	13	12¾	12¾	— ¾
10⅝	1¾	FinCpA				1620	2⅛	2	2⅛	+ ⅛
7½	4⅝	FinCp pf	.60	13.0		5	4⅝	4⅝	4⅝	— ¼
35½	12⅝	FinC pf	4.50e	36.4		102	12⅝	12	12⅝	
22⅝	15½	FinNws				459	16¼	15½	15¾	— ½
14⅞	5⅛	FnSBar	.10	1.7	2	474	6½	5⅝	6	+ ½
19⅛	15	FineH n	.57e	3.9		221	14¾	14	14½	— ½
42¾	30	FireFd	.40	1.4		1740	32½	28¾	28¾	—1¼
50	25⅝	Firesm	1.00	3.7	14	1945	32¼	27	27	— ¾

(Continued on next page)

Telecommunications

IN THIS REPORT

Telephony Bursts out Of the Mold

By Eli M. Noam

NEW YORK — Today's policy changes in telecommunications are part of a broad transition in the public network — a system that dates back to the emergence of postal monopolies in the 16th century.

That system was based on a centralized monopoly that enjoyed broad interest group support from what may be called the postal-industrial complex of equipment companies, the rural population labor unions and state bureaucracy. The network was universal in reach, price-controlled as a necessity, and redistributive in charges. As a public service, telephony was outside the mechanism of the market, even in otherwise free-economy countries.

But despite its popularity, the traditional model of the public network has not escaped the multiple forces that have undercut its stability. Technology is one of them, but one

COMMENTARY

should not exaggerate its contributions. More significant was the emergence of the information-based service economy as a mainstay of developed countries.

Electronic information transmission became of ever-increasing importance to the new services sector — and a major expense item. Price, flexibility, security and reliability became variables requiring organized attention by a new breed of experts outside the PTTs.

This led, in time, to new constellations. A new alliance emerged, consisting of large users, including international firms, together with the most advanced part of the equipment industry. In consequence, we are merely at the beginning of what will be a lengthy process of change. The centrifugal forces are encouraging the evolution of a new network model of telecommunications that is characterized by a great deal of openness and resembling conceptually a matrix rather than the traditional star. Here are some of its main characteristics.

The future open network system will be one of great institutional, technical and legal complexity. It will consist of an untidy patchwork of hundreds of sub-networks serving different geographical regions, customer classes, and service types with no neat classification or compartmentalization possible. The U.S. experience demonstrates the instability of structural regulation that tends to compartmentalize the industry. Hence the future network environment will have carriers engaged in many functions, though there will be no shortage of official attempts to ensure order.

The network becomes a composite of numerous separate planning decisions. This notion is so alien to the engineering world view of telecommunications traditionalists that it strikes them as bizarre. The old perspective was that of the chain of command, long-range planning and integration. To leave this system to the vagaries of hundreds of uncoordinated and selfish actors seems to invite disaster.

Can it work? This is not the right question. Perhaps a better way to frame the issue is: Can there be a stable alternative in economies that otherwise favor a market mechanism and that want to stay on the leading edge of technology and applications?

Telecommunications is in the process of be-

Continued on page III

David Suter

U.S. Agencies Study Effects Of New Regulatory Climate

> The seven regional Bell companies want to expand.

WASHINGTON — This year could be a watershed in telecommunications policy in the United States. It is the year in which the breakup of American Telephone & Telegraph Co. got its first close examination. It is also the year in which the regulatory bonds on local monopoly telephone companies and on AT&T began to be loosened.

Federal and state regulators are replacing the 50-year-old methods they had been using to determine how much money those companies should earn. They also are rethinking how those companies should be structured to provide the most protection for rate payers, while providing the most regulatory flexibility for the companies.

When AT&T was broken up in 1984, U.S. District Judge Harold H. Greene, who presided over its divestiture, ordered three basic prohibitions for the then-newly created regional holding companies (RHCs), or Baby Bells. They could not provide long-distance service across local calling zones; they could not manufacture equipment and they could not provide information services, such as medical monitoring or data bases.

He also said that the companies would need a court waiver to enter into any other type of business. And he ordered the Department of Justice to submit a report three years after divestiture, evaluating whether the restrictions should be lifted in whole or in part.

This year the seven regional Bell companies, under the provisions for automatic review of the settlement, have been trying to persuade Judge Greene to allow them to expand by providing long-distance service. They argue that the limits imposed on them under the divestiture settlement are unnecessarily confining and that consumers are being denied the benefits of additional competition and many new products made possible by technological advances.

On Sept. 10, however, Judge Greene, issued an order finding that the long-distance and manufacturing restrictions should stay in place. He left open the possibility of *Minitel-like networks developing* in the United States by permitting the regional companies to provide gateway services, allowing users to enter a general menu to be directed to specific information services but not content or messaging, for vendors of information services. He also abolished the need for waivers for non-telecommunications businesses.

Earlier, Peter Huber, a consultant for the Justice Department, had published a report called "The Geodesic Network," in which he had concluded that the telecommunications system had changed radically because there was so much intelligence in customer-based switching devices.

He recommended that the restrictions be lifted. But he also found that more than 99 percent of the telecommunications traffic still passed through local telephone company switches, a fact that Judge Greene would use to justify his own decision as well.

Meanwhile, the Justice Department, which had first recommended that the regional companies be able to offer long-distance service outside of their service areas, reversed itself and recommended that the restriction be kept, with the possibility of lifting it on a case-by-case basis. The Justice Department also did not enforce the ban on manufacturing as strictly as some manufacturers

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Business

Europeans Bid For Bigger Slice Of U.S. Market

By Arthur Brodsky

WASHINGTON — Earlier this year, when the Federal Communications Commission had sparked a debate over U.S. trade policy while the French government was deciding whether to sell its national telephone switching system to American Telephone & Telegraph, Ericsson or Siemens, there was a brief story making the rounds in Washington.

AT&T, it was said, had the FCC Chairman Mark S. Fowler's heart. But Siemens had President Ronald Reagan's ear, literally. He wears two hearing aids manufactured by the German multinational giant.

Three years ago, none of the major European telecommunications manufacturers had any presence in the huge and lucrative U.S. market. Now, through rapid expansion and big spending, they have become an integral part of it although they still lag far behind AT&T and Canada's Northern Telecom.

Their equipment is found not only performing the mundane switching tasks done in central offices, but also on the cutting edge of U.S. technology.

Whether in tests for Integral Services Digital Network (ISDN), fiber optics, packet switching or cellular radio, Siemens and Ericsson are there. And Stromberg-Carlson, now owned by Plessey of Britain, is also making a strong bid for a larger share of the U.S. market. To some degree, they have also injected themselves into U.S. policy debates, before both the Federal Communications Commission and Congress.

The largest equipment buyers, the seven divested regional holding companies, were eager to look to new telecommunications suppliers. They had AT&T and Northern Telecom, but they also wanted a third supplier to avoid a cartelization of the marketplace. It is still not clear who that third supplier will be, and once the market shakes out, it may vary from regional company to

Apart from the central office switch market, European suppliers are also making their presence felt in the large PBX market, particularly to universities and state governments.

Of the major European suppliers, Siemens has the highest profile. It scored a major coup by supplying packet switches for Bell Atlantic, Nynex, Ameritech and U.S. West. To help market the packet networks, and its switch, Siemens came up with a mobile demonstration display that has a variety of terminals and can demonstrate automatic bank teller transactions, credit card verification, electronic mail and other capabilities.

The packet switching sales are important not only in their own right but because they are seen as the forerunner of full-blown ISDN services. In another context, Bell Atlantic and the Bell Communications Research (Bellcore) research consortium owned by the regional holding company, are conducting a nine-month test of Siemens' digital EWSD central switch in an ISDN trial that will include a test to *determine if the Siemens product can be connected to existing analog* AT&T switches.

Similarly, Southwestern Bell is ISDN-testing the Siemens switch in its Advanced Technology Lab in St. Louis, along with switches from other manufacturers, including Ericsson.

Siemens apparently intends to maintain a strong U.S. presence. Altogether the Siemens companies employ more than 24,000 U.S. citizens, have $1.3 billion invested in the United States and $2.2 billion in revenue. Siemens Communications alone employs more than 6,200. President Herbert Asmussen has said that his part of the company is a "net exporter," and thus a positive force in helping to reduce the U.S. trade deficit.

To gear up for a big rush at the U.S. market, Siemens is converting part of its U.S. factory capacity into manufacturing space for the EWSD switch. The factories, in New Jersey and New York, will also continue to produce packet switching equipment. At the Boca Raton, Florida, headquarters of Siemens, the company has dedicated a new research center exclusively for the EWSD. It will employ more than 500 engineers.

As if to underscore its plans to stay in the United States, Siemens spent $165 million early this year to buy 100 percent control of Tel Plus Communications, the largest business telephone equipment reseller in the United States. Before the deal, Siemens had held 35 percent of the Boca Raton-based firm. Siemens said it made the deal because it wanted direct control over its national marketing, sales and service

Continued on page IV

ISDN: In Theory Everyone Wants It, but the Reality Is Another Story

Real international compatibility in product and service offerings remains many years away.

By Jonathan Weber

GENEVA — If the long-awaited Integrated Services Digital Network (ISDN) could be judged by the audiovisual presentations that tout its potential, the verdict would be an easy one. Who could question the value of an integrated, worldwide, all-purpose telecommunications network that would allow anyone to plug in any sort of voice, data or video terminal anywhere in the world and establish instant communications with any location?

The reality, alas, is a good deal more prosaic.

Even as equipment vendors and telephone service providers in the United States, Europe and Japan gear up for the start of commercial ISDN services over the next year, many are questioning whether the telephone engineer's dream of a universal digital network will translate into cost-effective solutions for genuine customer problems.

And despite widely applauded efforts in the standards arena, real international compatibility in product and service offerings remains many years away.

ISDN means different things to different people, but the core concept is quite straightforward. ISDN refers to a set of specifications for a digital telephone network architecture agreed on as international standards by the International Telegraph and Telephone Consultative Committee (CCITT), an arm of the UN-sponsored International Telecommunications Union.

CCITT standards are developed by technical committees made up of representatives of the major telephone service providers and equipment manufacturers, and then voted into existence by the quadrennial plenary assembly. Although the 10,000 pages of CCITT standards generally lack the force of the law, telecommunications companies are under considerable commercial and political pressure to adhere to them.

The ISDN plan, the bulk of which was adopted at the 1984 plenary, calls for regular telephone lines, which normally carry a modulated electrical wave, or "analog" signal, to be converted to pipes for digital bit streams, with each "basic" access line carrying two high-speed channels for voice or computer data and one low-speed channel for data or signaling information. "Primary" access lines, for office telephone systems or large computers, will carry 23 voices or data channels and one high-capacity signaling channel.

In addition, a highly sophisticated signaling system will allow telephone switching centers to talk with one another and allow terminals to talk to switching centers. The end result will be a highly flexible, "intelligent" telephone network that will handle voice and data equally well, eliminate the need for devices such as modems and special wiring for computers, and be capable of providing a host of fancy routing and control services.

In theory, the entire worldwide telephone network will gradually be converted to ISDN, but in practice ISDN will be an optional service that interested customers can buy. And telephone service providers now face the challenge of persuading their customers that ISDN is something they really need. Already it seems clear the average residential user will have little interest in ISDN.

"It will be some time before we see ISDN in the home," conceded Dick Snowden, director of the concept development center at AT&T. "There doesn't seem to be any real problem there that ISDN can solve."

Nifty features, such as incoming call identification, might appeal to the curious few, but it is a rare householder that needs data channels 50 times faster than the average computer modem.

Business customers are a different story. Many undoubtedly have a growing need for high-speed data services and the flexible call routing capabilities that ISDN can provide.

But large companies, especially those in "information intensive" industries such as finance, have been building increasingly sophisticated private telecommunications networks using leased circuits and computerized office telephone switches.

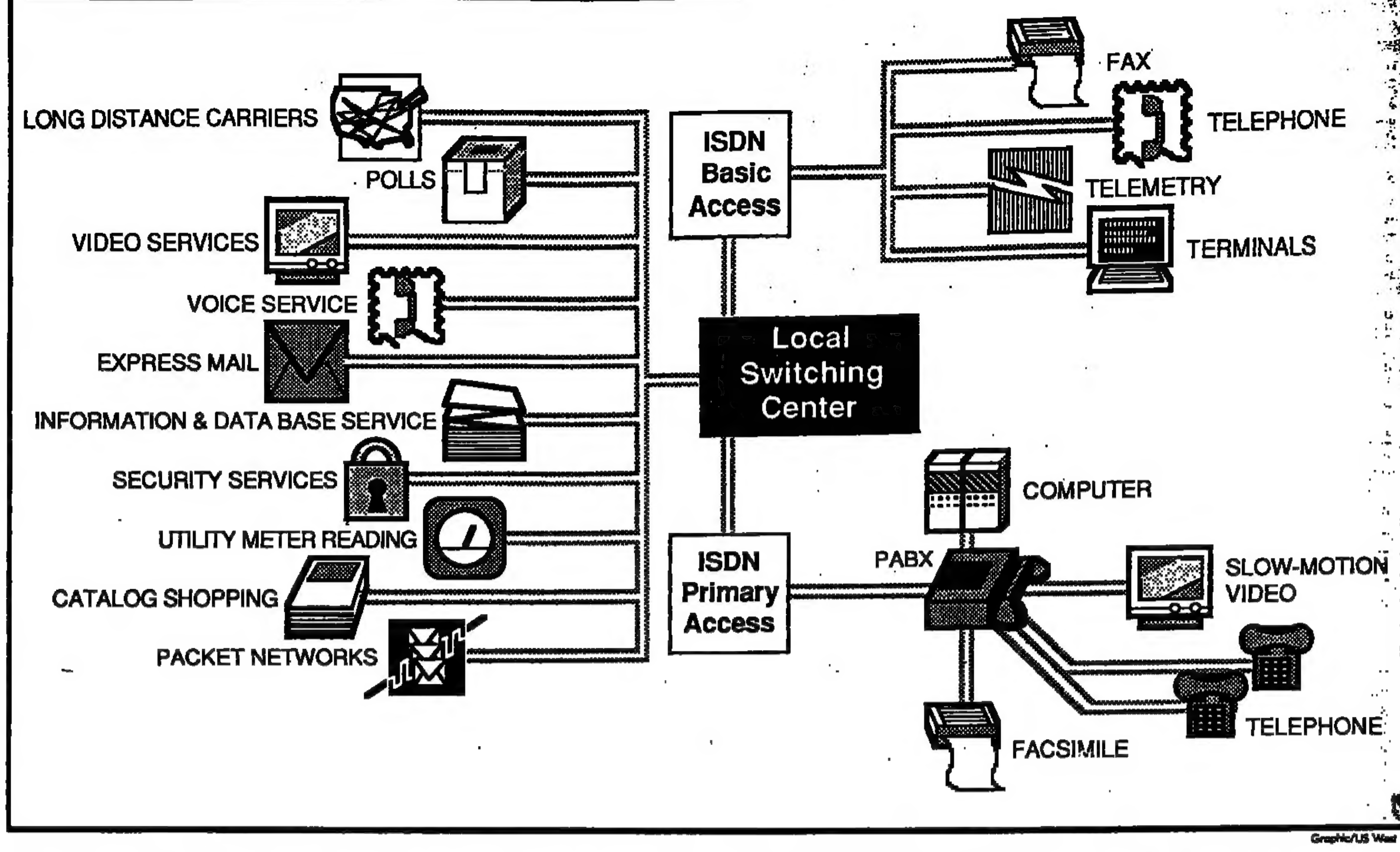
"Most of us have private networks already, and we already do the things that ISDN will allow you to do," said George McKendrick, executive director of the London-based International Telecommunications Users Group. "There is no indication that it will be better to do these things on ISDN than on private networks. There will be a lot of reluctance among big users to turn over to ISDN."

Overcoming this reluctance is the challenge now facing the European PTTs and U.S. Bell operating companies that have made ISDN the centerpiece of their technical and commercial strategies.

"Certainly, there are corporations that are performing all these functions themselves," said Joseph Miller, head of ISDN technical development for U.S. West, the 14-state regional operating company that now has four ISDN trials under way. "But we feel that for similar applications, we should be able to offer users significant savings."

Telephone operators have considerable resources with which to wage what promises to be a long war against private networks. For one, they can offer tariff structures that discourage the use of leased lines and make ISDN a much cheaper alternative than premises-based computer and phone networking solutions.

ISDN: How the System Can Work



Graphic/US West

This appears to be the strategy of the French Direction Générale de Télécommunications and the German Bundespost, both of which plan to offer local ISDN service within six months. Their price schedules show that basic ISDN access lines will cost a bit more than double the price of a regular telephone line, plus usage charges.

THIS appears to be a bargain — since an ISDN line will have the capacity of two regular telephone lines plus other capabilities — but is less revealing than it appears. No prices have been fixed for ISDN connections with office telephone switches, which are critical for luring large business customers, and many of the special services ISDN will eventually provide have not yet been priced. In addition, the cost of ISDN terminal equipment remains unknown.

An equally important strategic tool in selling ISDN is the prospect of broad standardization, which would relieve the corporate customer of the burden of integrating the incompatible hodge-podge of equipment and services that are currently woven into private networks.

"The value of ISDN to many customers is standards, rather than an independent signaling channel or integrated voice and data," said Mr. Snowden of AT&T. "If you can have a single wiring system in a building, that has tremendous advantages." And those advantages are magnified if you can have the same wiring plan and a similar set of services in all company locations worldwide.

But to exploit these advantages, telephone operators and equipment vendors must overcome two tricky problems. First, they must attract enough customers to make broad deployment of ISDN economical, but of course customers will be inclined to wait for broad deployment before moving to ISDN, since ubiquity is supposed to be one of its great advantages.

A second difficulty stems from the fact that standards inevitably lag behind technological development, and they are less rigid than the term suggests. A variety of choices exist as to how to implement the current ISDN standards, and while some of those options will eventually be standardized, some will not.

Thus there is a risk that ISDN in West Germany will look different from ISDN in France (despite efforts by the European Community Commission to prevent such a situation) and both may be different from what emerges in the United States. ISDN in California could even be different from ISDN in New York.

Most industry officials express confidence in the CCITT standards effort and doubt that incompatible ISDNs will be the rule, but there are some discouraging precedents. The X.25 standard for data networks, for example, has yielded national and regional networks which are not really compatible; inter-network links require custom-built gateways.

Indeed, the legacy of different technical standards on different continents and uneven public network development worldwide seems sure to prevent the emergence of a unified, global ISDN for the forseeable future.

At the same time, heavy investment in ISDN infrastructure will certainly yield service offerings that are useful to some customers. ISDN promoters must now manage the treacherous transition from engineers dream to saleable product.

JONATHAN WEBER is senior editor of the Geneva-based World Link publication.

A Scarcity of Funds

Brazil Struggling to Stay on Hold

By Mac Margolis

> Two million Brazilians want to buy telephones but cannot because the system cannot expand fast enough.

SAO PAULO — It's more than 2,000 miles from this megalopolis to São Gabriel da Cachoeira, a sleepy Amazon jungle town near the Venezuela border. To get there, one can take a five-day boat ride up the Rio Negro or, when it's not raining too hard, a twin-engine prop plane that leaves three times a week from Manans. No highway goes that far and until last month the telephone never rang there.

But on Oct. 1, President José Sarney dialed São Gabriel's mayor to say hello and to inaugurate the ten thousandth Brazilian town to be plugged in to the country's expansive telecommunications system.

Mr. Sarney's call was symbolic of an extraordinary development drive that in just four decades has taken this country's sluggish, backward communications system and put it on a par with those of the most advanced countries.

He made the call from a new $26 million communications station in São Paulo state that is designed to boost the number of international telephone calls by 50 percent. This station, Brazil's 27th, is the latest monument in a campaign that has connected all Brazilian cities and towns to a system of cables, microwave ground towers and satellites.

However, even though distant São Gabriel is plugged into long distance cables, only a handful of its 24,000 residents have telephones. The telephone industry is so stopped up with back orders that customers in the largest cities, let alone those in the hinterlands, must wait up to two years for a telephone line.

A fall in government investment, skyrocketing demand and steady dilapidation of cables and communications stations have badly deteriorated telephone lines, multiplied busy signals and clogged assembly lines of communications equipment industries.

Experts say that if Telebrás, the telephone company, doesn't receive a massive transfusion of funds soon, the system that Mr. Sarney called the "sixth largest in the world" could slide to the status of those in the most indigent nations.

As Mr. Sarney declared, after talking to São Gabriel, the stakes are high. "No nation will be truly free and independent, as the 21st century dawns, without mastering technology," he said.

Telecommunications got a late start in Brazil, considering that the country got its first telephone in 1877, a present from Alexander Graham Bell. It took another quarter century to string thousands of miles of telegraph lines over the country, from the Atlantic coast to the Amazon jungle.

Then in the mid-1950s, President Juscelino Kubitchek vowed to move Brazil "50 years in five." During that campaign, he modernized just about everything, except communications. The futuristic capital of Brasilia was built, steel industries were laid down, highways built and the sparsely inhabited backlands settled.

It was not until 1962, under a system created by President João Goulart, that the telephone system began to advance. Mr. Goulart lasted only two years before he was overthrown by the military as a "leftist," but his telephone system survived.

"The one thing the military preserved was Goulart's communications plan," said Gilberto Garbi, a former Telebrás president and now director of NEC do Brasil, the affiliate of the Japanese telecommunications company.

Mr. Goulart had created a self-sustaining administration by which the National Telephone Fund collected 30 percent of all telephone bills for financing the expanding telephone network.

In 1972, the military government refined the system, creating a telephone company for each state and Embratel, a holding company, to control investments.

The military set about expanding the telephone network, dotting the landscape with microwave towers, laying three submarine cables to Europe and the United States and buying into the Intelsat system for trans-oceanic calls. The government built a space research center and, in 1985, launched Brasilsat, the first Brazilian communications satellite for long distance calls and relaying television signals.

"The communications network was the most important work the Brazilian military achieved," said Mr. Garbi.

Despite Brazil's staggering debt burden, some advances have continued in the postmilitary years. A second satellite, Brasilsat-2, was launched last year and research is being carried out in São Paulo on improving rockets to launch more satellites and on fiber optics.

The telecommunications system on the ground has expanded as well. While there were only one million telephones up to the mid-1960s, there are now 12 million. From the remotest region of the country, a direct dial call can be made to New York or Tokyo.

But some recent figures already hint at a decline.

By one measure, Brazil, with 7.2 million telephone terminals — there are 1.5 telephones to each terminal — ranks 10th in the world, just behind Spain and Canada. But Brazil places only 37th in telephone "density," or the number of terminals per 100 inhabitants.

And "density is the only true measurement of development," according to Luiz Carlos Bahiana, a former Telebrás executive who now heads Equitel, the Brazilian affiliate of the German communications giant, Siemens.

According to Telebrás, there are two million Brazilians who want to buy telephones but cannot because the system cannot expand fast enough.

This has spawned a thriving black market, where the lucky ones sublet their telephones at scalpers' prices.

It has also severely taxed existing lines. Brazilians make 2,500 calls per telephone a year, the highest ratio in the world. The heavy traffic has resulted in long waits for a dial tone, crossed lines and calls repeatedly falling on incorrect numbers or being cut off in mid-conversation.

The very excess in demand is, in a way, a good sign. In a country of 139 million people and with a traditional economic growth of 5 percent to 7 percent a year, there is a seemingly limitless telephone market. Telebras has consistently been one of Brazil's most profitable state enterprises.

Yet, with rare exceptions, government investments in the telephone system have been cut back for nearly a decade.

Telebrás recently programed spending $1 billion a year and the installation of 800,000 telephones. But the return of triple digit inflation and Brasilia's ceaseless tinkering with economic plans have frightened private investors, including those in communications.

Ironically, perhaps, the recent liberalization of Brazilian politics after two decades of military rule may have aggravated the problem.

"Unfortunately, telecommunications has been politicized. There are increasingly more politicians and ever fewer technicians, and they manage the system according to electoral needs — all the factors that make Latin America poor and miserable," said a senior executive at a private communications firm.

Sources in the communications industry say the decline need not be fatal. A healthy restoration of investments and replacing pork barrel policies with technical criteria would go a long way to help the telephone system.

"The economy demands that telecommunications keep pace with development," said Mr. Garbi.

Meanwhile, in São Gabriel da Cachoeira, as in other towns, the phone may keep ringing, but for the very few.

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Operators in the country's telephone exchanges like this one have been unable to keep up with user demands, resulting in long waits for dial tones, crossed lines and calls repeatedly falling on incorrect numbers.

Telephony Bursts Out of the Mold

Continued from page I

ing transformed from one of the most regulated industries to one of the least regulated. The growing complexity of the system makes it increasingly difficult to fashion consistent rules, and rules are not likely to be enforceable. The subjects of the regulations — streams of electrons and photons, and patterns of signals that constitute information — are elusive in physical or even conceptual terms, and at the same time fast and distance insensitive.

And yet there is a need for regulatory oversight of the rules under which networks and users interrelate in the future; to bridge this tension will be one of the central challenges for regulatory policy.

The traditional public system may be losing its exclusivity, but it is gaining the flexibility of moving into new activities, including equipment manufacturing and computer applications. These new horizons are an attraction to PTTs as they consent to the loss of monopoly; for policy makers, they raise regulatory issues on how to deal, in the transition phase, with the still-substantial economic power of the unchained PTTs.

It will become increasingly difficult to reach or maintain specific agreements on standards as the number of interests and participants multiplies. Instead, standards setters or coalitions will emerge around which other actors will cluster, since incompatible services will not usually be attractive to users. The system may not be fully convergent, and some parallel standards are likely. Fortunately, electronics is flexible; a brisk industry of information and protocol arbitrage from one standard to another will emerge.

Networks must normally be able to interconnect into other networks as a matter of right, even if they are rivals. This principle requires clarification of the charges and quality standards for interconnection, and this is likely to remain a regulatory question for a long time.

While the right of interconnection deals with networks' linkage with each other, the right of access concerns users' ability to reach, if technically possible, any network they choose to, and to join, under natural conditions, user-group networks.

An open network system raises the question whether the obligations of a network operates to serve all interested users, regardless of location, applies to all services, and the answer is likely to be differentiated. For more specialized services, the general obligation will not exist. But for basic service it will continue, and the definition of "basic" is likely to expand. The boundary line is likely to be an ongoing issue of policy debate.

While it is unlikely that the traditional system of internal transfers from one class of users to others can be maintained, this does not spell the end of transfers; though there will be more external and less internal ones. Subsidies are likely to become more narrowly targeted to the poor.

The open system is not efficient in the sense of minimizing resources. There is nothing unusual about this; almost every industry has excess productive capacity. In telecommunications, with its low marginal costs, competition will cause periodic price instability, and future regulation will need to moderate price volatility and at the same time prevent the likely industry efforts at collusion.

Telecommunications operations will transcend the territorial concept and the notion of each country having total territorial control over electronic communications will become archaic. Supranational carriers and mechanisms will eventually evolve.

The two network concepts — centralized and open — are reflected in the present two major initiatives of their respective proponents. ISDN (Integrated Services Digital Network) is an archetype for the centralized network model, while the ONA (Open Network Architecture) concept, at present before the Federal Communications Commission, aims at disaggregating and opening the very core of the network.

Those holding the centralized concept of networks are captivated not just by its technical capabilities, but also by the more political notion of the exclusive super-pipe. ISDN at once reaffirms the view of the network as a centrally planned and exclusive system while providing a powerful and yet ultimately futile defense against centrifugal forces.

The traditional public network was a very appealing concept amid the cold rationality of capitalism. It was a notion of sharing, interconnecting and reaching every member of society. But certainly, the historical origin of the system, rooted as it is in 17th century European absolutism, does not support those who presently view its defense as a progressive act.

In the future, telecommunications will more closely resemble the rest of the economic system and will be less part of the political sphere. It may be much more complex and, in parts, even less efficient than the old system, but it will be a closer reflection of the underlying complexities of society and economy.

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Electronic Mailboxes

Europeans Increase U.S. Market Share

Continued from page I

operation, rather than leaving those jobs to middlemen. The move was also defensive, to help fend off the sales forces of the Bell Operating Companies.

Tel Plus sells PBXs, work stations and other equipment, through 100 sales locations in the United States, to about 50,000 customers.

Competing strongly with Siemens is the American subsidiary of the Swedish firm Ericsson. (Ericsson scored an impressive international triumph this summer when the French government allowed it to purchase the government's national switch manufacturing business, beating out Siemens and APT, the AT&T-Philips alliance.)

Ericsson has only about one-third of the investment that Siemens has in the United States, with assets of about $320 million. But working from a small base, it has made great strides.

In the central office switch market, Ericsson said it wants to add 100,000 lines of its AXE CO digital CO switch, proposing some joint development projects with the regional companies.

The company's biggest score came in April when it announced that U.S. West would buy 50 AXE switches to be used in rural Idaho. The contract was Ericsson's third with U.S. West, but the others were much smaller.

In addition, Ericsson has signed a contract with BellSouth for two specialized signal transfer point AXE switches to be put into effect early in 1988. Ericsson has also signed with Southwestern Bell to provide service for 15,000 subscribers in Missouri, while agreeing to supply Southwestern's advanced technology lab with switching equipment for testing.

Besides the central office market, Ericsson has been trying to sell PBX equipment as well. The company wants to gain between 5 percent and 10 percent of the American market, expanding from its present base of largely university customers. The key product is the MD110 PBX. It was at first designed for customers with between 100 and 400 lines and was later expanded into the MD110-40 which can handle up to 12,000 lines.

The company has a dozen sales offices in the United States to market the PBX and is making some gains. In its traditional market, Ericsson has won an $8 million contract from San Diego State University and a $6.1 million contract from Oklahoma State University. Ericsson has also installed the switch in the Arkansas state government network.

Outside of the traditional PBX and CO markets, Ericsson is an active player in the cellular switch market. In addition, Ericsson says that it has captured about 5 percent of the $300 million U.S. multiplexer market and is aiming for 10 percent. That equipment is sold to fiber optic carriers, such as Nor-Light, the Wisconsin-based network, which bought 50 E-MX3 multiplexers.

Ericsson has signed an agreement with IBM to try to combine IBM's data base and networking technologies with Ericsson's switching into products such as a virtual private network and 800 services. IBM is also selling products made by its Rolm subsidiary.

The last major foreign firm that is trying to break into the central switch market is Stromberg-Carlson, an old-line American firm purchased by Plessey. Stromberg's traditional market is the small independent telephone company, but it caused a stir in April by signing a $100 million agreement with BellSouth to purchase 600,000 lines of switches.

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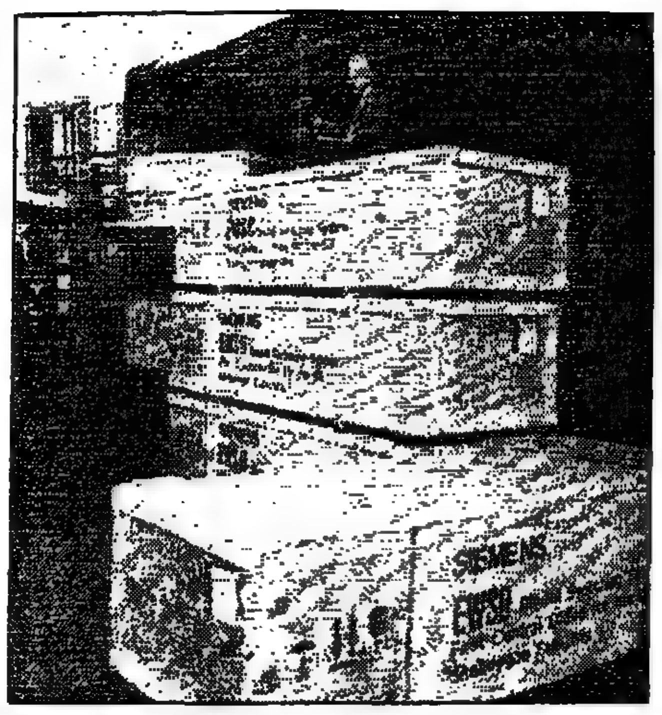

Siemens is making a strong bid to become a major supplier of equipment in the United States.

Diversity of 'Telemail' Languages Is Blocking Exchange of Services

By Edward Roby

BONN — Europe's would-be electronic mail users find themselves in much the same dilemma as the lost city slicker who was informed by a taciturn New England farmer that his travel destination was "just over yonder; but you can't get there from here."

The corporate sales manager of a West German manufacturing company might want to use his Bundespost "Telebox" electronic mail service to exchange confidential messages and instructions with his sales representatives in the field. But if those representatives happen to be in France or Italy, he is flat out of luck.

> The electronic mail networks will have to learn a common language by adopting uniform telecommunications standards.

The Bundespost system simply does not mesh with the ones in use in those countries. Nor can one reach neighboring Austria, Belgium, East Germany or Sweden.

There are easily over one million telemail users in dozens of countries around the world but only about 200,000 of them, mostly in the United States and Britain, can be reached through the Bundespost system, which has managed to attract only about 1,000 subscribers since its inception in 1984. And the situation is much the same elsewhere.

In North America, for example, there are at least 14 major competing telemail networks. The bewildering choice has led to the thickest density of telecommunications "mailboxes" in the world — 764,000, by last count. But the networks are not necessarily compatible with each other.

German, American and British subscribers can communicate if they happen to have the Dialcom system, now a property of British Telecom, which the Bundespost has adopted. But communications break down quickly if a German sender wants to reach an American addressee served by Western Union Easylink, U.S. Sprint Telemail, AT&T Mail, RCA Mail or MCI Mail, to name a few.

In general, he would be even more isolated from the outside world if he had turned to one of several private electronic mail operators, including Combox in Berlin, Deutsche Mailbox GmbH and Infex GmbH in Hamburg and Geonet near Kassel. The private, commercial networks are typically geared to domestic users and are unable to carry the large volumes of data that some subscribers might want to transmit via secure telemail.

Bernhard C.R. Kuhrmeyer, a Bundespost expert on electronic mail, conceded that the services currently available are spotty and a bit chaotic. As he sees it, the problem is not one of various incompatible systems competing to dominate a potential market but rather a matter of isolated "islands that want to grow together."

"We hope that from the many islands a great continent will eventually grow," Mr. Kuhrmeyer said.

Before that happens, the electronic mail networks of the world will have to learn a common language by adopting uniform telecommunications standards.

An exhibit at the weeklong Telecom 87 exhibition in Geneva, which opened Tuesday, has been devoted to showing how telemail systems and services offered by 21 different manufacturers and telecommunications authorities can be made to communicate with each other using the X.400 standards.

This set of technical norms is what is supposed to meld the telecommunications islands into a continent. The X.400 standards seem to be on the verge of adoption by the important international standards bodies.

Theoretically, said Mr. Kuhrmeyer, around two million telecommunications mailboxes could become mutually accessible within two or three years because of the current international standardization initiative.

But before this happens, somebody will have to devise a way to apportion costs and tariffs and develop some sort of directory of subscribers with accessing data. And that seems to call for the creation of something that might look very much like a supranational telecommunications authority.

Thus, it is conceivable that the current decentralization and privatization momentum in global telecommunications could come full circle.

An executive of Hewlett Packard in West Germany suggested that network analyzing devices, which his company happens to make, might help to resolve the cost allocation problem.

It is a sign of the times that the Bundespost is participating in the Geneva X.400 demonstration along with Japan's KDD and Nippon Telegraph and Telephone Corp., Italy's Olivetti, France's Transpac, British Telecom and the Swiss PTT. Other participants include Dialcom, AT&T, Digital, Danet, Hewlett Packard, IBM, Nixdorf, Philips, Alcatel, Telenet, Sydney Ltd., Unisys and Télesystèmes.

Fourteen major computer companies and public telecommunications authorities had gotten together for the debut of the X.400 Open Systems Interconnection at the Hanover CeBIT fair last March. This group included many of the same names as well as Siemens, Bull, Data General, Xerox and ICL International Computers Limited.

The X.400 standards permit communication between public and private electronic mail systems, direct communication between otherwise incompatible private telemail systems and global relay via multiple public systems.

The basic idea is that any electronic mail subscriber in possession of a data terminal, a telephone and an accoustical coupler ought to be able to enter into two-way but not simultaneous message traffic with any other subscriber, regardless of differences in equipment and networks.

The exchange of messages or data is mediated by an electronic central dispatching system analogous to a post office. And because each subscriber has a coded identity, the system is supposed to be secure enough to pass on confidential information from person to person. This aspect sets electronic mail apart from other media like telefax, telex, teletex and videotex.

The idea, which lends itself especially to the needs of far-flung sales operations, diplomatic missions, shippers, wire service and newspaper journalism and advertising agencies, caught on first in the English-speaking world. The Bundespost estimates that there are perhaps 2,000 subscribers to the private commercial electronic mail systems in West Germany. But Reinhard Schrutzki, a director of Hamburg's Chaos Computer Club, said there are more like 10,000 users because subscribers sublet their teleboxes to cut costs.

His organization provides electronic mail services at cost for hobbyists who want to swap information. Mr. Schrutzki said there are around 40,000 to 50,000 of these around the country using electronic mail in one form or another.

Mr. Schrutzki, whose club made headlines in September by revealing that computer hackers had managed to penetrate NASA's international scientific computer network, said he also subscribes to the commercial Infex telemail service because it is cheaper than obtaining a telex to send his message traffic.

An Infex spokesman, Gerhard Fährmann, said his network offers its 600 electronic mail subscribers access to data banks as well as telex, telefax and videotex. For small businesses, which predominate among Infex subscribers, these features make it more attractive than the Bundespost electronic mail.

Mr. Fährmann said today's electronic mail operations are positioned to become the hub of such universal networks.

EDWARD ROBY is the Bonn bureau chief of United Press International.

Satellite Dish 'Farms' Sprouting Worldwide to Speed Data Services

By Paul Kemezis

SAN FRANCISCO — Teleports, a product of America's deregulated telecommunications environment, are spreading around the world. By the early 1990s, there will be over a dozen teleports operating in Europe and at least six in Asia. However, they will all be different, with the forms of ownership and services varying widely depending on the local telecommunications regime.

The raison d'être of all teleports is that various high-speed digital and video services are not provided efficiently or economically by the local telephone company. Teleport developers believe that large data users, such as banks, news groups and television networks, will buy such premium digital services offered by teleports to get around the local bottlenecks.

The main component of a teleport is usually a satellite dish "farm" near a large city, usually offering facilities to several satellite transmission companies the way an airport ofers services to airlines. Such a setup is possible because recent technical advances allow dishes to operate in cities despite urban interference.

The teleport's satellite access is normally coupled with a sophisticated data communications hub providing high-capacity fiber optic or microwave links to the downtown business center and surrounding region as well as special services such as video-conferencing.

In the deluxe model, the teleport is also part of a "smart building" development, providing a way for businesses with large data transmission needs to operate directly at the satellite gateway. This gives them better service and cheaper overall costs.

The emphasis among these three components depends on the place. In Europe, for example, an American-type bypass of the local telephone company is still not possible in most countries because of PTT monopolies. Therefore, European teleports are being developed by local governments as zones of expertise and advanced services in cooperation, not in competition, with the PTTs that still control satellite access.

In Japan, the teleports are parts of semipublic office development schemes needed to overcome downtown business crowding.

Perhaps the most complete teleport is in New York. The facility, opened by Teleport Communications in June 1985, includes a satellite dish farm on Staten Island and a 150-mile (243-kilometer) fiber optic network running through Manhattan and nearby suburbs.

According to DuWayne J. Peterson, executive vice president of Merrill Lynch, which is a major investor in the project, "teleports have created their own systems because the telephone companies have failed to provide the right facilities at the right price."

The Bay Area Teleport in Oakland, California, operates much like the New York teleport with a regional microwave network drawing data traffic from as far as Sacramento. It boasts a geographically unique capability to shoot both Europe and Japan from its satellite dishes on a hill above San Francisco Bay.

In all, there are approximately 30 teleports in the United States, ranging from sophisticated New York-type operations to simple dish farms serving only the cable television industry.

In Canada, the Montreal and Toronto teleports are operated by Telesat, a subsidiary of the large Canadian telephone companies. They are integrated parts of the telecommunications system and will eventually be linked in a single network with similar teleports in Edmonton, Alberta; Vancouver, British Columbia, and other cities.

In deregulated Britain, teleports are a means of competition. Both British Telecom and Mercury operate teleports in London's giant Docklands redevelopment project with high-capacity links to the city center. British Telecom provides cable television service to Europe and also serves several financial groups. Mercury has built its business around moving financial data across the Atlantic and worldwide, serving the London Stock Exchange and much of the banking community. Both look for business from publishing groups such as Reuters which are locating in the development.

On the continent, the teleport concept is much more fluid. The Dutch have teleports in Amsterdam and Rotterdam. The one in Rotterdam is mainly a large fiber network running through the 30-mile-long Europort complex with various scattered satellite connections geared for quick data services for shippers.

"If you ask a taxi driver to take you to the Rotterdam teleport, he can't" joked one official of the Amsterdam Teleport Office Park, now nearing completion, which is a "smart" building development at Sloterdijk emphasizing integrated trading services.

In France, several teleports are being planned, but in places such as Metz, Roubaix and Poitiers, where they are purely regional development vehicles. French officials are still unclear about Paris, where a regional teleport is on the drawing boards.

The most advanced teleport concept in West Germany stretches the definition almost to the breaking point. Cologne city officials will convert the St. Gereon rail yard, at the edge of the downtown area, into the Cologne Media Park, a collection of "intelligent" buildings with special video and data services. But there will be no satellite dishes since the Bundespost will keep that business to itself and use existing installations, including its telecommunications tower in Cologne that literally overshadows the new development.

Jaap Engels, who chairs the World Teleport Association European section, said that most large European cities are looking at the teleport concept as a way to enhance their links to the international business, shipping and financial world.

Athens, Genoa, Naples, Vienna, Berlin and Madrid all have projects under study. Lisbon, as a satellite gateway to South America and Africa, will operate at teleport through its World Trade Center, a pattern likely to be repeated in other medium-sized business centers.

Mr. Engels said, "In Europe the teleports are pushing the PTTs to advance their plans for new services and put them first in concentrated zones. Businesses, who are frustrated by PTT slowness in providing new links, have begun to learn that they will probably get them faster through us."

European teleport backers were encouraged by the European Community's recent green paper urging liberalization of value-added telecommunications services, asserting that it confirms the thinking behind teleports even if all EC members are not yet ready to change policy.

The first phase of the Osaka teleport, with satellite and regional fiber optic links, will be in operation by 1989 with the full project serving a new business and research district on several islands in Osaka Bay ready by 2000. Plans for Tokyo and Yokahama are equally big but will take a few more years to come on line. Japan is expected to be the center of the teleport movement in Asia since South Korea, Hong Kong and Taiwan are only just starting plans.

Teleport promoters, such as Mr. Engels, believe the concept now has enough momentum to become an accepted, worldwide phenomenon; but others are cautious. For example, the idea of a unified global data network among teleports is still considered unrealistic by many experts.

PAUL KEMEZIS writes about telecommunications for McGraw-Hill in San Francisco.

U.S. Study

Continued from page 1

would have liked, interpreting it to mean fabrication only, while the regional companies would be free to conduct design, development and research work on products.

As the basis for his decision, Judge Greene reasoned that the same basic condition that existed at divestiture still exists: the telephone companies control local bottleneck facilities with little or no competition, and still have the incentive and opportunity to take unfair advantage of competitors if allowed into the long-distance and manufacturing businesses.

But Judge Greene also wanted to increase the chances for a videotex service to develop, without endangering the information service providers. They, like long-distance providers, are dependent on the connections to the local network, according to Judge Greene.

Most of the regional companies, the Federal Communications Commission and the Reagan administration criticized Judge Greene's decision.

At the FCC, major regulatory policies were formed that will have an impact on telecommunications for years to come. One, made by Dennis R. Patrick who succeeded Mark S. Fowler as FCC chairman in April, would change the manner in which AT&T, and possibly the local telephone companies, are regulated.

Now, the FCC sets a rate of a return for interstate AT&T and local exchange carrier services, based on the costs of those services, and allows the companies to set their prices to meet the mandated rates. This "rate-based" pricing is frequently used in regulating other utilities, such as electricity and gas.

In August, the FCC proposed simply setting a cap on AT&T's prices and allowing it to earn whatever it could under those prices. If this system works well with AT&T, it could be extended to the interstate services of local telephone companies.

AT&T, which has been fighting since divestiture for regulatory relief, has supported the proposal. But many opponents argue that it will give AT&T too much room to underprice some competitive services and overcharge for others for which customers have little choice.

A second major issue at the FCC is how the regional companies will be able to offer enhanced services, many of which are not yet allowed under the terms of the divestiture consent decree. The FCC said that the regional companies could do away with a 1980 mandate that a structurally separate RHC subsidiary had to be established to offer the services, and said that the regional companies had to comply with FCC-ordered accounting standards to make sure that rate payers did not subsidize competitive services.

In exchange for this less rigorous regulatory structure, the FCC ordered that local telephone companies had to make connections to their network available to other service providers.

For the short term, the FCC mandated that the regional companies come up with plans for Comparably Efficient Interconnection, meaning that competitors in the enhanced service market would have a reasonably identical connection — the data equivalent of equal access in the voice business.

For the long term, the FCC said that the regional companies had to establish an Open Network Architecture plan, which would allow service providers direct acess to the telephone company central office. Plans for accomplishing this are due at the FCC in February. Each regional holding company has conducted discussions with users and service providers to determine what connections should be offered.

In its most controversial proposal, the FCC proposed this year eliminating a loophole that had exempted information services, such as videotex data-based providers, from paying the access charges demanded of long-distance carriers for use of a local telephone network. The proposal met stiff opposition from the information data-base industry.

Arthur Brodsky

The Mobile Connection

Nordic Pioneers in Cellular Phones Still Dominate World Industry

By Juris Kaza

SALO, Finland — From a Finnish factory town on the banks of a muddy river and from Stockholm's high-tech suburb, Kista, two Nordic companies, Oy Nokia AB and Ericsson, dominate much of the world cellular telecommunications market.

Nokia-Mobira, a subsidiary of Finland's largest privately owned electronics, forestry and industrial conglomerate, is a leading maker of cellular phone handsets, or "terminals." These are the devices seen in the cars of businessmen or as hand-held phones carried by engineers on building sites or by executives into board meetings.

To the west across the Baltic, Ericsson Radio Systems (ERS), a subsidiary of the Swedish telecommunications and office automation group, has delivered around 40 percent of the "invisible" equipment serving the 1.8 million cellular phone users, according to Lars Jonsteg, manager of systems marketing at the cellular radio division of ERS.

The system components include digital exchanges and a network of base stations, one serving each cell. While Jorma Nieminen, president of Nokia-Mobira, declares that "the aggregate mass of mobile phones is the biggest part of the mobile telephone industry," Mr. Jonsteg stresses that it is each system's capability that determines what customers can get out of their individual terminals.

"In Europe, we are number one, generally, and in world ranking, Nokia-Mobira was number one," said Mr. Nieminen. "This year we are among the top three, but the differences among them are marginal. Our world market share is between 13 and 15 percent."

Despite its top position, Nokia's international profile is lower than the actual reach of its products. In the United States, it holds a market share of around 14 percent, but its mostly South Korean-made equipment is marketed under the Tandy name through the Radio Shack chain.

"We have recently started a Nokia-Mobira unit in Florida, and the intention is that the market share with our own brand name will climb, from around 2 percent to 3 or 4 percent in the near future," Mr. Nieminen said. He added that "this has been agreed with Radio Shack." The unit sells Finnish-made Mobira models suitable for the U.S. AMPS system.

Internationally, he said that the fastest growing market is Britain. Nordic markets have grown 10 times faster than projected and some are saturated. "In Iceland, we will have to start selling to the sheep," quipped a Nokia-Mobira executive.

Both Nokia and Ericsson executives agree that the United States is the largest potential market for mobile telephones.

(In Geneva last week, the International Telecommunications Union, which groups some 100 countries, opened more frequency bands for mobile phones using satellite technology. The move was primarily designed to expand car and plane telephone service in North America.)

Sweden claims to have pioneered mobile telephony in 1955. However, the explosion of the cellular market really started in 1981, when the Nordic countries and Saudia Arabia opened the first stages of the Ericsson-developed Nordic Mobile Telephony (NMT 450) cellular system.

NMT in its 450 megaherz (Mhz) and 900Mhz (NMT 900) versions has been adopted by 16 countries and is one of four standards available in the world. It is regarded as one of the most flexible and most advanced. NMT is also the largest system in the world with about 20 percent of all the world's subscribers found in Denmark, Finland, Iceland, Norway and Sweden.

NMT as implemented in the Nordic area allows subscribers to automatically dial any direct-dial number in the world, and for automatic "roaming," or moving between areas controlled by different switching exchanges. This means a Finnish subscriber can travel to Norway and still take calls, for instance, while visiting a customer on an oil rig.

Roaming is still not possible with the U.S. AMPS standard systems that cover single cities or areas. In Europe, the next technological breakthrough will be the single, digital mobile telephone network agreed to in principle by 16 countries. It will start operation in the early 1990s.

Although scrambling is available on present-day cellular equipment, the more expensive digital service will improve security. During the merger negotiations between Asea and Brown Boveri of Switzerland, for example, executives at the Swedish company were reportedly forbidden to mention the deal on their cellular phones even though hundreds of calls are made simultaneously on the Swedish network.

Mr. Nieminen of Nokia said that despite data transmission options available on his and competitors' equipment, cellular telephony is still primarily a voice medium and the growth of other services is slow.

ERS can deliver equipment suited for all the major international standards, and the company uses its experience in systems planning as a major selling tool, according to Mr. Jonsteg.

"Cell planning is an important part of our service, and we work with the expectation that the systems we deliver will be expanded," he said. "Every 25th new subscriber requires a new channel, or 49 new channels per 1000."

Although it still regards itself as mainly a systems supplier, Ericsson entered the Nordic handset market with a campaign for its "Hotline" NMT 900 unit.

JURIS KAZA, based in Stockholm, contributes regularly to the International Herald Tribune's business pages.

Cellular Phones

Where cellular phones are distributed throughout the Nordic region.

Country	Number in use
Denmark	56,000
Finland	49,600
Iceland	2,000
Norway	89,100
Sweden	112,600

Americans Love 'Gadget' for Rich

By Calvin Sims

NEW YORK — When cellular mobile telephones were introduced four years ago, they were gadgets only of the rich and powerful. Now everyone from drug dealers in Miami to taco vendors in New York City has one.

Indeed, there are now 800,000 cellular phones in use in the United States, and they are changing the way Americans communicate and conduct business. And that number will rise to more than three million by 1990, a trade group, the Cellular Telecommunications Industry Association, predicts.

Improved technology and dropping prices have helped the phones become so popular. But even more important is their convenience. With a car or hand-held cellular phone, users can receive and return calls from almost anywhere, eliminating lost time and increasing productivity.

When Illinois Bell offered the first cellular service in Chicago in 1983, critics likened the new mobile phones to citizen band radios and called them a fad that would never last. But these critics failed to realize that, unlike citizen band radio users, cellular phone customers are not limited to talking with one another; they can call someone anywhere in the world.

Cellular phones also have a big advantage over their predecessors, the far more limited radio phones, which had been around for more than 40 years and are now virtually extinct. Each radio-phone system depended on a single powerful antenna and a few channels, so the service area was extremely limited and the number of possible users small.

Before cellular phones were introduced, there were only about 1,000 mobile telephones in New York City, and only 12 could be used at the same time. By contrast, a cellular system in a city can handle several hundred thousand users at once because it divides the area into small cells.

Each cell is 2 to 10 miles (3 to 16 kilometers) across and contains an antenna hooked to a low-power radio transmitter and receiver. When a car moves from cell to cell, the conversation is automatically transferred from antenna to antenna without the customer noticing.

The rapid proliferation of cellular phones and projections of continued strong growth have made companies involved in the business some of the hottest investment stocks in the country.

When McCaw Communications Inc. held its initial public offering last month, for example, the nation's largest cellular operator quickly sold more than 11 million shares at $21.75 each, or more than the $17 to $20 that analysts had expected.

Cellular phone carriers have invested more than $1.7 billion in building their systems and will generate more than $1 billion in revenues this year, analysts and industry officials predicted. By 1990, sales from cellular service should top $3.6 billion, according to Dataquest, a San Jose, California, market research firm.

There are about 44 operators of cellular phone systems. The Federal Communications Commission licenses two carriers in each market. One of the two licenses is owned by the regional Bell telephone company serving the area. These so-called wireline franchises were granted to the regional companies when they were spun off from the American Telephone and Telegraph Co. in 1984.

The other, "non-wireline" franchise is owned by a private company, such as McCaw, which must bid for the license. After McCaw, which operates in 94 markets with a total population of about 37 million, the biggest non-wireline operator is the Lin Broadcasting Corp., which has licenses to serve areas in which more than 16 million people live, including New York, Los Angeles and Dallas.

Although the regional Bell companies cannot own the non-wireline franchise in their region, they have been buying up those in other areas. For instance, Southwestern Bell agreed in June to buy the cellular and paging operations of Metromedia Inc. for about $1.2 billion. The deal still needs regulatory approval.

If the acquisition is approved, St. Louis-based Southwestern would become the second-largest player and would be competing with other regional Bell companies. In Chicago, for example, Southwestern would go head to head against Ameritech.

Although experts predicted that the market for cellular service would continue to expand, they said that the rate of growth would depend heavily on the cost of service and equipment.

The average cost of a car phone has dropped in the last two years from more than $2,000 to $1,400, with prices as low as $900, but the average price of the more expensive portable phones remains at about $2,300. The average monthly phone bill runs between $100 and $150, including a basic service charge and about 50 cents for each minute on the phone. And the cellular phone user is charged for incoming as well as outgoing calls.

"When the monthly costs to subscribers goes down, that's when the boom will really come," said Robert W. Maher, president of the Cellular Telecommunications Industry Association.

© The New York Times

Cable Industry Basks In Rate Deregulation

By John Wolfe

WASHINGTON — At a recent financial seminar in New York City, the president of Cablevision Industries, Alan Berry, announced that his company plans to purchase a 33,000 subscriber cable television system in southern Florida for nearly $120 million, a deal industry observers valued at well in excess of $3,000 per subscriber.

That would be a record per-subscriber price for a system sale in the cable industry, where $1,500 per subscriber was the ceiling for system transactions as recently as two years ago.

"We think it is the best business in America," said Richard MacDonald, a cable analyst and vice president of First Boston Corp. "Some of us do, anyway."

That bullish view was echoed by Andrew Wallach, a Paine Webber analyst, who wrote in a recent report that cable stocks "are as popular now as Iowa farmland and oil service stocks were in the late 70s." The cable industry, Mr. Wallach noted, is "currently basking in investor euphoria."

A number of factors have combined to create the current economic boom in the cable industry, according to many financial experts. Most importantly, federal deregulation of cable rates took effect at the beginning of this year, and with the freedom to raise monthly subscriber fees came increased operator cash flow.

Moreover, with the prime lending rate at 7.5 percent as recently as this spring, cheaper money was available to finance cable system acquisitions. And both the pace and value of cable transactions has increased.

Paul Kagan Associates, a research firm in Carmel, California, recently reported 118 cable system transactions through the first five months of 1987, involving 3.7 million subscribers with a total value of $5.16 billion. Roughly the same number of systems changed hands during the same period last year, but the total value was only $1.9 billion, with 1.4 million subscribers involved.

The players in the brisk cable acquisitions game include both new entrants bidding for a piece of cable business and established multiple cable system operators seeking to increase and consolidate their holdings. For example, Tele-Communications Inc., America's largest multiple system operator, has embarked on an aggressive acquisitions campaign and now controls roughly five million of the nation's estimated 44 million cable subscribers.

The new entrants include Jack Kent Cooke, owner of the Washington Redskins football team and founder of what eventually became Group W Cable. Mr. Cooke reentered the cable business in January when he bought McCaw Communications cable systems for $1,750 per subscriber, among the top prices paid for cable properties at that time.

In June, he purchased systems from First Carolina Communications serving approximately 167,000 subscribers. Mr. Cooke's cable operating company, Cooke Media, has rapidly become one of the nation's larger multiple system operators.

Some experts have estimated that the cable industry's aggregate cash flow for 1987 could reach $6 billion. Paine Webber, meanwhile, has predicted that operators' cash flow will increase by 12 percent annually through 1991.

Increased revenue can be particularly beneficial to industries such as cable, which have a high degree of fixed costs due to the largely completed construction of physical plant.

> The industry's aggregate cash flow for 1987 could reach $6 billion.

"The incremental profit margin is very, very high," Mr. MacDonald explained. "For every new dollar of revenue, 75 cents can be profit."

Greater cash flow has been fueled primarily by the widespread rate increases made possible when Congress deregulated the cable industry in late 1984. Rate deregulation took effect on Dec. 31, 1986, and the Cable Television Administration and Marketing Society (CTAM) has found that, on average, the price of basic cable service has increased about 21 percent.

According to Paine Webber's Mr. Wallach, most operators raised basic fees by 10 percent to 12 percent during the first quarter of 1987. Cable industry "hawks," he noted, raised their rates by 20 percent or more. Beyond 1987, Mr. Wallach predicted that operators as a whole would raise their rates by one dollar, or about 8 percent per year.

Thus far, according to analysts and industry officials, the rate hikes have generated little subscriber fallout. "This product has yet to reach any resistance from consumers because of price," Mr. MacDonald observed.

Indeed, for many cable companies, the first three months of deregulation saw significant increases in the number of cable subscribers. The president of Tele-Communications Inc., John Malone, head of the nation's largest multiple system operator, has said that the first quarter of this year was his company's best in terms of signing up new customers.

Most industry officials credit the increased subscriber rolls to the marketing practices that accompanied the rate increases. Many cable operators, for example, added a host of new cable networks to the basic tier when the price for that level of service went up. Also, most companies combined increases for basic service with slight decreases in the price subscribers pay for premium networks such as Home Box Office, Showtime and the Disney Channel.

Cable cash flow has been further bolstered by the emergenc of alternative revenue sources such as the recent home shopping phenomenon. Many of those home shopping networks are partly owned by cable companies, and virtually all the services offer a commission to system operators for purchases made by their subscribers. Other revenue sources include still-developing pay-per-view services and advertising sales, which operators claim have not nearly reached their potential.

However, industry leaders have cautioned that the rising prices of cable systems can not be justified solely by rate increases, and many cable companies have placed a renewed emphasis on increasing the industry's penetration in U.S. television households. Cable's current penetration rate is 50 percent, meaning that roughly half of all U.S. television homes receive cable. But an estimated 43 percent of those homes with cable available refuse to subscribe.

To attract those who could buy cable but will not, operators are banking on improved programming unavailable through other means. The past year has seen cable companies increasingly investing in cable networks, and most popular cable networks now have at least some degree of operator ownership.

Most recently, for example, a group of about 30 multiple system operators, bought into the financially troubled Turner Broadcasting System, which owns Cable News Network, CNN Headline News and Superstation WTBS. TBS chairman, Ted Turner, now hopes to launch Turner Network Television, a cable-exclusive service that will bid for the rights to major events currently monopolized by broadcast television.

The cable industry's increased support for its programming services has had a visible impact on those services' bottom line. Dennis Leibowitz, media analyst at Donaldson, Lufkin & Jenrette, recently predicted that the basic cable networks will earn $250 million during the next fiscal year — a figure that nearly matches the $270 million the three major broadcast networks earned last year.

With upbeat financial prospects for both cable operators and networks, the value of the cable industry's assets is now nearly double that of the broadcasting industry. The total value of the cable industry is roughly $67.1 billion, Broadcasting magazine recently reported. By contrast, the aggregate value of the entire television broadcasting industry is about $38 billion, the magazine calculated.

But cable's growing economic clout does not sit well with the industry's traditional competitors: broadcasters and program producers.

These groups, led by their trade associations in Washington, have been lobbying Congress and the Federal Communications Commission to reregulate cable.

Many financial analysts, however, appeared undeterred by the prospect of onerous government action. A Shearson Lehman Brothers analyst, Edward Hatch, for example, recently advised investors that the financial impact of any cable industry regulatory compromise "should be minimal" and "should not detract from cable's attractive media franchise and excellent growth prospects."

JOHN WOLFE is the managing editor of CableVision Magazine.

Who's Who in Cable Acquisitions

Buyer	Deals	Subscribers	Value
Tele-Communications Inc.	6	793,000	$1.25 bil.
Jack Kent Cooke	2	589,000	$1.04 bil.
Cablevision Systems	7	278,000	$529 mil.
Adelphia Communications	3	173,000	$347 mil.
Robert Bass	2	159,000	$345 mil.
Simmons Communications	1	106,000	$182 mil.
First Carolina Communications	2	103,000	$173 mil.
United Artists	1	90,000	$150 mil.
Falcon Cable	8	78,000	$131 mil.
Cablevision Industries	3	70,000	$110 mil.

Source: 1987 Cable TV Investor, estimates of Paul Kagan Associates Inc., Carmel Calif.

National Systems Resist Value-Added Networks

By Vivian Lewis

PARIS — Paribas, the leading French investment bank; Credit Agricole, the second largest commercial bank; Sema-Metra, a leading software company, and IBM are not companies that ignore the law.

Yet by creating a new company offering value-added network data transmission services in France in competition with the telephone company's Transpac system, this quartet of multinational banks and companies was in violation of French law. Until the law is changed in France, private value-added networks (VANs) are not allowed to compete with the French telephone company, which, like those in many European countries, is operated by the post office.

The conservative government of Prime Minister Jacques Chirac is committed to deregulating the telephone system in France, but it has already put off its earlier target for submitting new legislation before the end of this year. Given that there will be elections early next year, many observers feel the law will not be passed in time, and the new VAN company will have to be legalized by a special decree.

This confusion is not confined to France. Following the major deregulation of the telephone monopolies in the United States, Japan and Britain, other European countries where the telephone company is run by the post office, such as the Netherlands, Spain and Finland, are also planning changes. Outside Europe, even Israel is working on deregulation.

However, one major country, West Germany, is resisting pressure for change. The West German Bundespost has blocked international standard modems and interconnection devices from working on German telephones. This policy is supported by both the Christian Democrats and the Social Democrats. Only the Free Democratic Party favors changing the system.

The Germans argue that their public telephone system is required by law to operate as a public service whatever the cost. This means that large computerized users of telephone lines have to be charged in order to subsidize, for example, the provision of telephone lines to isolated farms in the Bavarian Alps. In part because of German domestic politics, progress on international deregulation of data transmission services has been blocked.

But West Germany is not the only country where other concerns have blocked the rise of telecommunications VAN competition. There are other reasons, such as the protection of national sovereignty and infant industries, fear of cultural imperialism or powerful multinational corporations, that have led some countries, particularly in Latin America, to resist the pressure for change.

A major obstacle to cross-border data transmission and processing is the protection of privacy and the right of reply. Fear that information that is nobody's business and that cannot be corrected by the subject is being leaked outside the country has led many European countries to enact privacy protection laws that interfere with data flows. The Scandinavian countries, Austria and Luxembourg are particularly active in this respect.

But other countries are anxious to keep data home in order to protect data processing jobs or to maintain their ability to develop hardware and software for new applications. This is a form of protectionism.

Dave Gothard

Many countries insist that they are protecting their networks by setting up technical barriers to use of foreign equipment that may harm or overload their systems. The proliferation of technical standards interferes with international operations and acts as a kind of nontariff barrier to telecommunications flows.

The United States, having pioneered the idea of telephone services competing with one another, is at the fore of deregulation although it draws limits to that policy.

During the Carter administration, to stop Dresser Industries' French subsidiary from making large-diameter oil pipelines to sell to the Soviet Union after the Soviet intervention in Afghanistan, the United States required that the parent Dresser firm cut it off from access to the computer it needed to design them.

One way it is hoped to remove obstacles to the development of an international market is through the talks on freeing trade in services that will go on over the next several years in Geneva under the Uruguay Round of the General Agreement on Tariffs and Trade.

But unless there is a shift in West German policy, the European Community, which negotiates as a bloc in trade talks, will not be able to negotiate any major deregulation of international telecommunications and data processing.

VIVIAN LEWIS, a Washington-based financial journalist, formerly reported from Paris.

Space Photo Satellite ■ *Alternative Technologies*

The French earth observation satellite.

SPOT Adds New Technical Dimension to Spying

By Judson Gooding

PARIS — The art — or science — of espionage has taken on a new and global dimension, thanks to the astonishing capabilities of France's SPOT space photo satellite, the most advanced remote-sensing civilian satellite in the world.

With SPOT — the acronym stands for the French name, *Système Probatoire d'Observation de la Terre* — naval officers from small countries with limited military budgets can get a low-cost fix on the enemy's harbor defenses and fleet disposition; businessmen can study the progress of their competitors' new plants being built in Taiwan, and journalists can dazzle their readers with "forbidden" pictures of the damaged Soviet reactor at Chernobyl, or Pakistan's uranium enrichment plant at Kahuta, which may soon allow that country to produce nuclear weapons.

However, France and the two countries that participated with modest shares, Sweden and Belgium, did not make the $350 million commitment of resources necessary to create the sophisticated satellite just to satisfy the curiosity of newspaper readers or businessmen or military leaders.

SPOT was created to furnish hitherto unavailable information to science, agriculture, forestry, environmental specialists, urban developers and other such users. The intelligence and espionage applications are serendipitous, but they certainly help to defray costs.

Now, after a year and a half of operation and more than 6,300 orbits of Earth, SPOT has proven the validity of its design. It outperforms the only other civilian Earth-observing satellite orbited thus far, the U.S. Landsat, which was sent up in 1972.

(The recently announced Soviet high-resolution earth photo offerings are not considered to be from a civilian source, and there are no precise indications yet of just how much the Soviets will be willing to show, or exactly what their service and repeat delivery capabilities may be. The Soviet system uses photo images, which have limited applications compared to SPOT's digitized data images.)

SPOT records images of the Earth shot from 514 miles (834 kilometers) up, using 8-foot (2.4-meter) 551-pound (251-kilogram) telephoto lenses. It can show objects as small as 30 feet long, whereas the Landsat is restricted, by Defense Department regulations, to showing nothing smaller than 100-foot objects.

SPOT's higher resolution power, or acuity, makes its pictures far more informative. (Military satellites, both American and Soviet, fly lower and have much greater resolution powers; they can, for example, pick up car license plate numbers, but their pictures are, or course, not generally available.)

"With its high resolution, SPOT brought remote sensing out of the closet and into the information age," said Mark Bender, an editor for the American Broadcasting Company in Washington who is chairman of a media task force on remote sensing.

The French satellite introduces a number of advantages in addition to its sharper eye. Unlike Landsat, it can deliver

> 'SPOT brought remote sensing out of the closet and into the information age.'

three-dimensional images. It can re-photograph a specified site within 2½ days for comparisons, charting the growth of crops or the advance of a forest fire, compared with 16 days for a repeat shot by Landsat. It can deliver images in wave lengths not otherwise available.

The three-dimensional effect is made possible by using directional mirrors, which, controlled from the earth station, permit it to look sideways from orbit rather than straight down. This oblique view can then be shown as is or it can be corrected by computer processing so that it appears to be straight down, and it can be combined with views at other angles to produce pictures in "stereo."

It is this capability for shooting pictures sideways, and having them appear to be directly below that, by vastly widening the area covered in each sweep, allows SPOT to view any given place with twice-a-week or greater frequency.

SPOT was put together by Matra, the space and defense contractor, with the collaboration of 12 major subcontractors, working under the direction of France's space agency, the National Center for Space Research. It is highly complex and sophisticated, with on-board altitude and orbit sensors and controls, computer control of camera programming, a solar power and storage system, and the ability to acquire 24 million information bits per second. It has worked perfectly since being launched by an Ariane rocket from the space station in French Guyana.

Its giant cameras record what it sees, line by line, dot by dot. The light is changed into electrical signals, which are then amplified, digitized and transmitted. When the data are received at the Earth station, they are decoded and constitute a picture.

The images are available for sale to whoever wants to order them and is willing to pay the price: from $400 up for black-and-white prints or $410 for color. Customers can order simply by defining the area they want covered. The variety of uses is wide.

Foresters monitor the growth of newly planted seedlings and the advance of forest fires; farmers and agronomists watch for changes in soil moisture and for the spread of disease in crops; geologists seek out patterns that can indicate mineral or oil deposits under the surface; cartographers keep tabs on changes in urban areas and on the spread of suburbs and the advance of new roads and of deserts; commercial fisheries watch thermal ocean currents that may help locate schools of fish.

France's national space agency is preparing to launch a second, improved SPOT — SPOT-1 will last only 2½ years in orbit — in 1989. It also has SPOT-3s and SPOT-4s in preparation for launch.

Meanwhile, Japan, West Germany and the European Space Agency are working on plans for their own earth photographic satellites. There would seem to be considerable room for competitors in a market that observers predict may total as much as $4 billion annually by the year 2000.

JUDSON GOODING, the European correspondent for Omni magazine, is the author of "The Job Revolution" (Walker & Co., New York).

Cable TV Challengers Waging Uphill Battle to Break Into Market

By John Wolfe

WASHINGTON — While the U.S. cable television industry has prospered over the past year, alternative technologies such as backyard satellite receiving antennas and microwave-delivered "wireless cable" systems have met with little success in their efforts to secure a foothold in the video marketplace.

Proponents of these competing technologies lay much of the blame for their struggles on the cable industry, which they view as having a chokehold on the distribution of popular satellite-delivered programming services. Access to that programming, they maintain, is crucial for the backyard dish industry and wireless cable operators to survive.

Doug Malmgren, for example, is seeking financing to expand a five-channel wireless cable system in Billings, Montana. His fund-raising, however, has been hampered by his inability to offer the most popular cable services to Billings homes. Potential investors have been "seriously concerned about my lack of quality programming," Mr. Malmgren said during a recent Wireless Cable Association convention here.

Nearly all of the popular satellite-delivered programming services were created for cable distribution; and lately, many major cable companies have bought equity interest in most cable networks. Most recently, a consortium of 30 cable operators bought nearly 50 percent of Turner Broadcasting System, owner of the popular Cable News Network and Superstation.

That ownership, cable's critics say, has translated into little incentive to deal with potential competitors to traditional cable systems — a development that backyard dish and wireless cable officials consider the chief obstacle in their path to commercial success.

The backyard dish industry, for example, had flourished as recently as two years ago, when 1.5 million home antenna systems had been installed, and industry executives had predicted that 3.5 million homes would be equipped with satellite dishes by the end of 1986.

But cable networks also began to scramble their satellite signals that year, forcing dish owners to purchase a $400 decoder box and pay monthly subscription fees to view programming they previously had viewed for free. Dish sales plummeted from 750,000 units installed in 1985 to 215,000 installed in 1986, according to the Satellite Broadcasting and Communications Association (SBCA).

Now, as more and more services scramble, the emphasis has shifted to delivering packages

> The cable industry is accused of having a chokehold on the distribution of popular programming services delivered by satellite.

of programming direct to home dish owners. Both cable companies and individual programmers have launched competing packages, and those efforts, combined with more readily available decoders, have led to a mild resurgence in the backyard dish business. Monthly dish sales which were as low as 16,000 in June had risen to 28,000 in September, the Satellite Broadcasting and Communications Association said.

Moreover, programmers recently have begun to cooperate more with dish dealers. Many networks, for example, permit dealers to serve also as agents, earning commissions for programming subscriptions.

"Scrambling at first was perceived as a very negative thing," observed Hal Haley, owner of Davis Antenna and the chairman-elect of the SBCA. Now, he said, "we're starting to realize that it can be a positive thing. We're in the programming business." Mr. Haley predicted that nearly 600,000 dish systems would be installed in 1988.

Satellite industry officials have also identified some technological developments that have helped the backyard dish industry recover. For example, about 60 percent of all new satellite system sales are integrated units including a decoder. Also, new "flat plane" satellite antennas will be introduced in the United States early next year and may be available for residential use by the end of the year. Those systems, which could sell for under $1,000, can be mounted on a wall or roof and are ideal for urban residents.

But the backyard dish industry is still at odds with the cable industry over whether independent companies should be allowed to package satellite programming. To date, however, only programmers and cable operators are able to offer packages to dish owners.

Dish industry advocates have claimed that third-party packaging is necessary to bring subscription prices down, and many organizations, ranging from Amway Corp. to the nation's rural electric cooperatives, are seeking rights to distribute scrambled programming. Significantly, their efforts have won the sympathy of key legislators, most notably the presidential candidate Senator Albert Gore Jr., Democrat of Tennessee, who has accused the cable industry of exerting monopoly control over programmers.

Senator Gore and other dish advocates have introduced legislation that would require satellite programmers to deal with third-party distributors. Industry observers have predicted that the Senate will pass that measure later this year, but the prospects for a companion bill moving in the House of Representatives are far less certain.

The nascent wireless cable industry has also found a champion: Representative Charles E. Schumer, Democrat of New York, who has urged the Department of Justice to investigate programmers' alleged refusal to deal with alternative technologies. Addressing wireless cable operators at their recent convention here, Mr. Schumer promised to do "whatever it takes" to inject competition into the cable industry.

Justice Department officials have not responded publicly to his request. The department recently examined cable's scrambling plans, however, and told a House subcommittee that it had not uncovered any antitrust violations.

Wireless cable is the common name given to multipoint multichannel distribution systems (MMDS), which the Federal Communications Commission has authorized in most U.S. cities. Under amended FCC rules, MMDS operators can now strike deals with other local microwave licensees, resulting in nearly 20 channels in some communities available for delivery to homes equipped with small microwave receiving antennas.

To date, there are about a dozen wireless cable systems operating in cities ranging from Cleveland, Milwaukee and Philadelphia to Billings, Montana, and Salina, Kansas. The industry's showcase has been MetroTEN's Cleveland system, which operates in one of the few U.S. cities still not wired for cable.

هكذا صدر الأصل

Tuesday's NYSE 3p.m.

(Continued)

12 Month High Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	3 P.M. Quot.	Chge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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12 Month High Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	3 P.M. Quot.	Chge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Marietta Awards Contract On Rockets to Hercules

The Associated Press

BETHESDA, Maryland — Martin Marietta Corp. said Tuesday that it will award a contract, expected to exceed $500 million, to Hercules Aerospace Co. for 15 sets of solid rocket motors to power the Titan 4 launch vehicle.

The motors will be manufactured at Hercules's Bacchus West facility near Salt Lake City, Utah, Martin Marietta said Tuesday. Hercules' headquarters is in Wilmington, Delaware.

The initial Titan 4 launches will use seven-segment motors that can carry a 10,000 pound satellite to a parking orbit. Hercules will make an upgraded three-segment version that can carry 12,500 pounds.

Martin Marietta has an Air Force contract to build and launch 23 Titan 4's — the first in late 1988. The upgraded rocket is expected to be available by late 1990.

Floating-Rate Notes

Oct. 20

Dollars

Issuer/Mat.	Coupon	Next	Bid	Askd
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Pounds Sterling

Issuer/Mat.	Coupon	Next	Bid	Askd
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Deutsche Marks

Issuer/Mat.	Coupon	Next	Bid	Askd
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Japanese Yen

Issuer/Mat.	Coupon	Next	Bid	Askd
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

E.C.U.

Issuer/Mat.	Coupon	Next	Bid	Askd
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Source: Credit Suisse-First Boston Ltd., London

Tuesday's AMEX 3p.m.

Via The Associated Press

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	3 P.M. Quot.	Ch'ge
		A								
12½	4	ABI n			14	44	9⅝	[illegible]	9⅝	— ⅛
10⅞	6½	[illegible]				233	8	7¾	7½	— ⅜
14⅝	8⅛	AL Lab s	.12	1.5	14	79	8⅜	[illegible]	8¼	
14⅛	6	AMC s	.10	1.7		68	6½	5⅞	6	
4⅛	2¼	AOI	.05e	1.7	23	70	3	[illegible]	3	— ⅛
6¼	3	ARC g				84	3⅝	3¼	3¼	— ⅜
31⅞	8	[illegible]				2197	13¼	11¼	11⅝	— ⅜
3⅛	1⅛	ATTCr wt				68	1⅜	1½	1⅜	— ⅛
44½	31	ATT Fd	2.04i	6.0		433	35½	30¼	32⅜	+2⅛
15¼	[illegible]	Abimd n				15	6½	6¼	6½	
6⅞	[illegible]	AcmePr				4	2⅝	2⅝	2⅝	
9⅛	6⅛	[illegible]	.08i			19	6⅞	6½	6½	— ½
9⅞	5⅞	Action	.12i			114	4⅝	4⅝	4⅝	— ¼
26½	7½	Acton s				256	[illegible]	13	13	—1
2⅞	⅝	Actn wt				[illegible]	1	1	1	— ¼
4⅝	1¼	AdmRs			31	173	[illegible]	1⅝	1⅝	— ¼
18⅝	9½	AdRslEl			25	258	9½	8	8⅝	—1
43	19⅝	AdRusll			245	343	37⅞	34¼	34¼	—5⅛
19⅝	10	AirExp			11	236	12⅝	11⅜	11⅜	—1⅜
18⅝	13¼	Aircoa n	.40e	2.9		18	14	14	14	— ⅛
⅝	¼	Alamco				61	⅜	⅜	⅜	— ⅛
16⅝	6¼	AlbaW			10	72	7½	7½	7½	
18⅝	3¼	Allin s				373	4⅝	3⅞	4	— ½
17⅝	6⅝	Allstr n	1.38	21.2		208	6⅞	6⅜	6½	— ½
11⅝	5⅝	Alphaln				214	5½	[illegible]	5⅝	— ¼
21¼	8	[illegible]				326	10⅝	9	9⅝	—2
⅝	⅛	Altex n				139	⅜	¼	⅜	
51¼	40	Alcoa pf	3.75	9.9		1250z	41	38	38	—3
42⅝	16⅝	Alza			89	3523	25⅞	20	20⅝	+ ¼

(Continued on Page 13)

هكذا من الاصل

How a Long Market Collapse Could Affect Jobs, Pensions

By Barry James
International Herald Tribune

PARIS — Even those who never owned a share in their lives could be affected as the dramatic decline in stock values ripples through the economy, many analysts say.

Although the effect for the moment is more psychological than actual, economists say a long-lasting stock market collapse could eventually have a broad and profound impact on jobs, pensions and savings.

Many people who do not own shares have an indirect stake in stock exchanges through their investments in pension funds and insurance companies. If they don't invest, the companies they work for probably do, which means there will be less money around to provide wage increases or jobs.

The plunge affects even those without direct stock investments.

"In short, the man in the street could find himself on the street," said Bill Martin, an analyst with the brokerage firm Phillips & Drew in London. He said the decline in stock values could be followed by a general "scaling down" of economic activity because it is likely to be followed by a lessening of demand and investment, first in the United States and then in other countries.

"This affects even those who don't have direct investments in stocks," said Henry Kaufman, chief economist of Salomon Brothers in New York. "If you're just an average citizen, you're working somewhere, and the developments in the financial markets today may influence the company you work for. It may result in cutbacks."

"The stock market decline is likely to have a depressing effect on spending and investment, whether by individuals or corporations," said Brendan Brown, an economist with County Natwest in London.

HE SAID the fall in stock values could be followed by declines in other investments that have risen sharply in value, such as real estate or the art market. Both he and Mr. Martin predicted interest rates would come down.

"The rise in both the stock market and house values stemmed from the same thing — the euphoric sense that the economy would continue to be wonderful," said Benjamin E. Friedman, professor of economics at Harvard University. "If the stock market is telling us the bubble has popped, and people are taking a more realistic view of the economy's future, then that same bursting of the bubble could affect the prices of houses and other assets. And that's the level where the average citizen could be affected."

The market's plunge has cut the spending power of investors who planned either to sell stocks soon or to use them as collateral for major purchases, such as a home or automobile.

In France and Britain, the decline in share prices could have political as well as economic ramifications. Millions of people have been attracted into the market for the first time by denationalization plans that made it relatively easy to buy a stake in state-owned companies. Prime Minister Margaret Thatcher of Britain speaks of a "property-owning democracy" and owes her election success in part to a new class of small investors with shares in such companies as British Telecom and British Gas.

France has six million direct shareholders, three times as many as when the center-right government began selling state-owned companies a year ago. The man responsible for that policy is Jacques Chirac, the prime minister, who is expected to run in next spring's presidential elections.

In contrast, West Germans have tended to steer clear of stocks and other speculative investments. "They are not risk minded," said Peter Pietsch, an economist with the Commerzbank in Frankfurt. "And the fall in share prices is not likely to affect so many people here as in the United States and some other countries."

The Associated Press
GLOOMY READING — The front pages of Australian newspapers on Tuesday morning reflected Monday's plunges, then world markets began another day of turmoil.

U.S. Treasuries Surge In Flight From Stocks

Compiled by Our Staff From Dispatches

NEW YORK — Prices of U.S. Treasury securities, especially the shortest-term obligations, continued to soar Tuesday as investors flocked from the stock market into safe-haven investments in chaotic trading, dealers said.

The higher prices on Treasury bills — government paper that matures within one year — pushed their yields sharply lower. Longer-term securities also benefited, with the benchmark 30-year bond climbing 2.75 points from Monday's closing levels. The bond rose 4 points on Monday.

A 1-point change is equal to $10 for every $1,000 in face value.

Although corporate bonds firmed by 1 to 5 points, prices of so-called junk bonds fell by a similar amount in hectic trading. Dealers said Monday's stock market drop has ignited concerns over the liquidity of many heavily indebted issuers of these below-investment-grade securities.

"Wall Street's slide made investors much more cautious," said one analyst. "They are shunning stocks and junk bonds. They'll buy Treasuries or high-quality corporates."

Bond traders said they were reassured by affirmation from the Federal Reserve Board chairman, Alan Greenspan, that the Fed stands ready to provide liquidity to support the economy and the financial system.

"The Fed's saying we will provide liquidity for the economy," said one economist. He added that the central bank was implying that "we're not going to allow bank failures and the sorts of things associated with 1929," the year of the stock market crash that precipitated the Great Depression.

Opening New York trading was frenzied, with the government's 30-year bond briefly surging about 6 points to trade above 98, an unprecedented price swing of 12 points from Monday's low of 85 27/32.

Prices of U.S. Treasury bonds, traded around the globe in a 24-hour market, followed a similar hectic pattern in London. Dealers there said buying pressure was intensifying as equity prices worldwide deteriorated.

Dealers said that pin-pointing opening prices in New York was difficult, as the spread between bids and offers widened to as much as 1 point, sixteen times greater than usual.

"It is absolute chaos," a government bond salesman said.

In fact, some bond-trading firms said they had stopped making normal, two-way markets because of the record price swing.

Instead, the firms, in an attempt to calm the market while still providing liquidity, were executing orders only on a negotiated basis with their customers, dealers said.

Despite the Dow Jones industrial average's snap back in early trading from Monday's 508-point plunge, prices of bills rose so quickly in New York by midday that the three-month bill yield dropped 194 basis points, or hundredths of a percentage point, to 4.90 percent from 6.84 percent at Monday's bill auction.

In later trading, with the Dow remaining firm, the three-month yield jumped to 5.75 percent, still more than 1 percentage point below Monday's auction rate. The yield, which moves inversely to prices, had fallen 76 basis points on Monday.

With long-term bond prices also gaining from the exodus of capital from the equity markets, the 8⅞

See BONDS, Page 13

Small NYSE Firm Closes, Others Are Called Sound

Compiled by Our Staff From Dispatches

NEW YORK — H.B. Shaine & Co., a small Midwest brokerage firm, said Tuesday that it was financially unable to continue trading on the New York Stock Exchange, while rumors swirled here and in London that some major houses were near bankruptcy because of losses suffered from Monday's historic decline.

But the NYSE vice president, Richard Torrenzano, said that no major member of the exchange had reported financial difficulties.

Meanwhile, New York commercial banks began restricting their foreign-exchange dealings with U.S. investment firms Tuesday because of concern about the creditworthiness of the latter, inter-bank currency dealers said.

Hugh Makens, an attorney for Shaine, blamed the firm's closing on Monday's 508.33-point loss in the Dow Jones industrial average. He did not disclose how much money Shaine had lost, except to say that it was substantial.

Shaine was a full-service NYSE broker with offices in Grand Rapids, Michigan, and Aurora, Illinois. Mr. Torrenzano said that Shaine had been the only NYSE firm to encounter difficulty since Monday, and added that "our systems are doing extremely well."

Spokesmen for four major securities houses — E.F. Hutton & Co., Shearson Lehman Brothers Inc., Salomon Brothers Inc. and Goldman, Sachs & Co. — strongly denied rumors that the massive market decline had driven their companies near bankruptcy. They were reacting to reports that circulated in the United States and in foreign markets as far away as Sydney.

Charles Brophy, head of public relations for Salomon Brothers, called the idea "ridiculous."

"I think these rumors are way out of hand," he said, adding that the brokerage still has more than $3 billion of capital.

A E.F Hutton public relations officer, Bob Sharkey, called the rumors "absolutely false."

In late trading, Hutton's stock was down $9.125 a share, to $14, on the NYSE on volume of about 1.2 million shares. Its average daily volume is about 238,000 shares. Hutton released a statement saying it "knew no reason" why its stock had fallen significantly and its chief financial officer, Edward J. Lill, said Hutton is facing "no problems," with liquidity.

In London, John Hewitt, the managing director of Scrimgeour Vickers, a British brokerage acquired by Citicorp, said that while the firm had a trading loss "of £2 million [$3.3 million] Monday and we expect a loss of 3 million today," the losses were easily sustainable.

Other firms, while acknowledging that losses were inevitable as brokerages were forced to hold shares unloaded by panicked investors, insisted that they were in no danger of a liquidity crisis or insolvency.

"There's going to be some pretty severe pain," said Terry Smith.

John Aitken, a banking analyst with the brokerage County Securities, said: "Basically, if you want to be a big player in the London market, the argument is that you would have to be a market-maker — one who would be willing to buy stocks from a client and hold on at you own risk.

"But when there's a 300-400 point drop in the market, like the 20 percent drop we've seen here in the past two days, that package is going to be worth a lot less at the end of the day."

(AP, Reuters, IHT)

U.S. Housing Starts Climb 4.4%, Most in 9 Months

The Associated Press

WASHINGTON — The rate at which builders broke ground for new homes jumped 4.4 percent in September, the biggest gain in nine months, the government said Tuesday.

The Commerce Department also said that housing starts were unchanged in August from July, instead of being down 1.5 percent as previously reported.

Construction on new homes and apartments was begun at a seasonally adjusted annual rate of 1.67 million units in September and at a revised rate of 1.6 million in August, the department said.

The September increase was the sharpest gain since a 10.8 percent advance in December. It left analysts somewhat surprised, since many had been forecasting further declines in construction, after mortgage rates rose sharply last month.

The nationwide average for fixed-rate mortgages hit 11.58 percent last week, its highest level in almost two years.

After reaching a nine-year low of 9 percent in March, mortgage rates have been rising, dampening home sales and construction.

For the first nine months of this year, housing construction was down 10.2 percent from the like period in 1986.

Building permits, considered a good sign of future activity, fell 0.6 percent in September, after an increase of 1 percent in August.

Currency Rates

ross Rates — Oct. 20

	$	£	D.M.	F.F.	I.L.	[illegible]	B.F.	S.F.	Yen
msterdam	2.034	3.37	1.1349	0.3364	0.1555 *	—	5.404 *	1.3541	1.4115 *
russels (a)	37.48	62.37	20.83	6.227	2.8838 *	18.5125	—	25.045	0.2612
rankfurt	1.7918	2.994	—	0.2992	0.1385 *	0.8871	4.804 *	1.2049	1.2543 *
ondon (b)	1.6645	—	2.9253	9.9905	2,160.50	3.3497	62.33	2.465	238.80
ilan	1,297.80	2,161.80	721.82	218.97	—	641.75	34.62	868.32	9.045
ew York (c)	—	1.6515 b	1.8105	6.042	1,306.50	2.0355	37.70	1.503	143.95
aris	6.014	10.001	3.3413	—	0.4628 *	2.9703	0.1605	4.0206	4.19 *
okyo	143.05	238.84	79.43	23.79	0.11	70.40	3.8147	95.87	—
urich	1.502	2.4836	0.8303	0.2484	0.1149 *	0.7381	3.9866 *	—	1.0422 *
ECU	1.1422	0.6929	2.0761	6.9342	1,498.26	2.3365	43.2093	1.7243	164.85
SDR	1.2998	0.7782	2.2192	7.815	1,679.74	2.6301	48.7041	1.925	185.564

*losings in London, Tokyo and Zurich, fixings in other centers. New York rates at 4 P.M. a: Commercial franc; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.*

ther Dollar Values

urrency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
rgen. austral	2.505	Fin. markka	4.3045	Mex. peso	1625.00	S. Afr. rand	2.016
ustral. $	1.401	Greek drac.	136.75	N. Zealand $	1.535	Soviet ruble*	0.6334
ustr. schil.	12.60	Hong Kong $	7.80	Nig. naira*	4.2108	Span. peseta	116.60
elg. fin. fr.	37.71	Indian rupee	12.97	Norw. krone	6.6425	Swed. krona	6.378
razil cruz.	53.66	Indo. rupiah	1644.00	Phil. peso	20.90	Taiwan $	29.96
anadian $	1.3165	Irish £	0.6645	Port. escudo	140.50	Thai baht*	25.735
hinese yuan*	3.7221	Israeli shek.	1.596	Saudi riyal*	3.7502	Turkish lira	944.10
anish krone	6.9647	Kuwaiti dinar*	0.28	Sing. $	2.085	UAE dirham*	3.6728
gypt. pound	2.217	Malay. ring.*	2.524	S. Kor. won	801.10	Venez. boliv.	23.20

*w York rates unless marked * (local rate.)*

rward Rates

rrency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
ound Sterling	1.6495	1.6473	1.6458	Canadian dollar	1.3177	1.3187	1.3183
apanese yen	143.56	143.23	142.72	Swiss franc	1.4962	1.4907	1.4865
eutsche mark	1.8037	1.7983	1.7938				

urces: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

Interest Rates

urocurrency Deposits — Oct. 20

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	ECU	SDR
month	7 ⅝-7 ¾	3 ¼-3 ⅜	3⅛-3⅜	9¼-9 ⅜	7 ⅝-7 ⅞	6⅞-7	6¾
months	7 ⅞-8 ⅛	3⅞-4	3¼-3⅜	10-10⅛	7⅞-8	7 ⅛-7 ¼	6¾
months	8-8⅛	4⅛-4⅞	4⅛-4⅞	10⅛-10⅜	8-8⅛	7⅝-7⅞	7⅛
months	8⅝-8⅞	4⅞-5	4⅛-4⅞	10½-10⅝	8 ⅛-8 ⅜	7 ⅞-8 ⅛	7⅜
year	8⅝-8⅞	5-5⅛	4⅛-4⅞	10 ⅝-10 ⅞	8⅞-9⅛	8 ⅛-8 ⅜	7⅝

urces: Morgan Guaranty (dollar, DM, SF, Pound, FF); Lloyds Bank (ECU); Reuters (SDR). Rates applicable to interbank deposits of $1 million minimum (or equivalent).

ey Money Rates — Oct. 20

	Close	Prev.
ited States		
scount rate	6	6
ime rate	9¼	9¼-9¾
deral funds	7	7 9/16
m. paper 90-179 days	7.15	7.93
onth Treasury bills	5.96	6.52
onth Treasury bills	6.26	7.18
onth CD's	6.40	7.90
onth CD's	7.00	8.45
an		
count rate	2½	2½
l money	3⅛	3 5/16
onth interbank	n.a.	3⅞
onth interbank	n.a.	n.a.
st Germany		
count rate	3	3
ibard rate	5	5
ernight rate	4.00	3.90
onth interbank	4.90	4.15
onth interbank	4.90	5.10
onth interbank	5.00	5.20
tain		
k base rate	10	10
l money	10	10
onth interbank	9 55/64	10
ay Treasury bill	9⅝	9⅝
nce		
rvention rate	7½	7½
l money	7 13/16	7 13/16
onth interbank	7⅞	7 15/16
onth interbank	8⅛	8 11/16
onth interbank	9⅛	9 1/16

rces: Reuters, Bank of Tokyo, Commerzbank, Credit Lyonnais.

Asian Dollar Deposits — Oct. 20

1 month	7⅞ - 8
2 months	8 - 8⅛
3 months	8⅝ - 8⅞
6 months	9¼ - 9⅜
1 year	9⅛ - 9¼

Source: Reuters.

U.S. Money Market Funds — Oct. 20

Merrill Lynch Ready Assets
30-day average yield: 6.27
Telerate Interest Rate Index: 7.390

Source: Merrill Lynch, Telerate.

Gold

Oct. 20

	A.M.	P.M.	Ch'ge
Hong Kong	476.00	470.75	— 3.20
Luxembourg	478.25	—	— 1.55
Paris (12.5 kilo)	482.74	470.63	— 13.75
Zurich	479.75	466.00	— 16.50
London	481.60	464.30	— 16.70
New York	—	463.70	— 18.50

Luxembourg, Paris and London official fixings; Hong Kong and Zurich opening and closing prices; New York spot market close. All prices in U.S. $ per ounce.

Source: Reuters.

Corporate Buybacks Give Market a Lift

Compiled by Our Staff From Dispatches

NEW YORK — U.S. corporations stepped into the market Tuesday to repurchase their own shares, helping to restore badly eroded investor confidence on Wall Street, analysts said.

"These guys know their companies, know precisely where they're going, and think these prices are ridiculous," said David Bartlett, research director at Ladenburg, Thalmann & Co.

Meanwhile, Carl C. Icahn, chairman of Trans World Airlines Inc., said he had withdrawn his proposal to acquire the TWA shares he does not already own. He cited the deterioration in market conditions.

Under the proposal, Mr. Icahn would have paid $20 in cash and $25 worth of 12 percent subordinated debentures, due in 2007, for each TWA share. The total transaction was valued at about $1.35 billion.

TWA's board approved the offer on Friday, after Mr. Icahn had increased his offer from $20 in cash and $20 in bonds.

Although analysts differed on whether corporate demand for their own shares at bargain prices actually boosted the market on Tuesday, they said the announcements provided a big psychological lift.

"On my list of positive market factors, the buybacks are No. 1," said Larry Wachtel, market strategist at Prudential Bache Securities.

The Dow Jones industrial average closed about 102 points higher Tuesday after Monday's 508-point plunge, and some analysts cited the buybacks as part of the reason.

"It's very positive," Mr. Bartlett said.

Analysts said the buybacks also suggest that corporations have more confidence in the U.S. economy than investors who sold in the record stock market drop on Monday.

On Tuesday, the Securities and Exchange Commission made a one-day exception to its rule of prohibiting companies from repurchasing their stock in the last half hour of trading. Companies were allowed to continue repurchasing until the close of the market.

The rule prohibiting repurchases in the final half hour of trading helps to prevent rapid stock price rises at the end of the day, the spokesman said. The SEC stressed that the exception was made for Tuesday only.

While some of the companies are capitalizing on what they deem an investment bargain, others may be trying to keep their suddenly cheap shares out of the hands of corporate raiders.

> 'On my list of positive market factors, the buybacks are No. 1.'
>
> — *Larry Wachtel, Prudential Bache Securities*

GAF Corp., the object of a $2.2 billion buyout proposal from a group led by its chairman, Samuel J. Heyman, said it would buy back up to 21 percent of its common shares.

The announcement followed a statement on Monday by GAF, which makes chemicals and building materials, that Mr. Heyman's group was reconsidering and might revise its buyout proposal in light of the recent jump in interest rates and turmoil in the financial markets.

The buyout offer was for $66.50 in cash and securities for each of GAF's 33.5 million common shares outstanding. GAF also said the management group was considering a revised offer.

GAF's buyback, based on a late Monday price of $35 per share, could total about $245 million. GAF shares fell about $17.50 on Monday.

Ford Motor Co.'s chairman, Donald Petersen said the company would accelerate its repurchase program in light of the price drop.

"We bought stock yesterday, more than we have recently, and will probably buy some more today," Mr. Petersen said Tuesday. He would not specify the number of its shares Ford bought Monday.

He said that the company would continue to repurchase stock under its previously announced plan to buyback 45 million shares and that it could finish the buyback by the end of this year.

Among other companies announcing buybacks were: USX Corp., up to 20 million shares; Bellsouth Corp., up to 6 million shares; Citicorp, up to 5 million shares; Honeywell Inc., 5 million shares; Allegis Corp., 5 million; RJR Nabisco Inc., 5 million; Merrill Lynch & Co., 5 million; Burlington Northern Inc., 5 million; Shearson Lehman Brothers, 3 million; McGraw-Hill Co., 2.5 million, and Centel Corp., 1 million.

David Roderick, chairman of USX, said the repurchase "reflects the very strong financial position of the corporation and enables us to take advantage of current market conditions."

(Reuters, AP)

Citicorp More Than Doubles Net in 3d Quarter

Compiled by Our Staff From Dispatches

NEW YORK — Citicorp reported Tuesday that third-quarter net income was $541 million, more than double the $247 million net in the third quarter of 1986.

Citicorp, whose chief subsidiary is Citibank, said it continued to expect a loss of about $1 billion in 1987, in keeping with its projection in May. In 1986, Citicorp had net profit of $1.058 billion.

The third-quarter net gain narrowed the company's net loss for the first nine months of the year to $1.78 billion, compared with net profit of $752 million in the first nine months of 1986.

On a per-share basis, earnings rose to $3.64 for the quarter from $1.64 in the like 1986 period.

Citicorp said the third-quarter results reflected a combination of earnings from its core businesses and a previously announced after-tax gain of $163 million from recognition of pension plan overfunding through the purchase of an annuity contract.

It also cited $139 million in tax benefits from the $3 billion in loan-loss provisions it took earlier this year on its loans to developing countries.

As a result of its offering of 20 million new shares in September, Citicorp's common stockholders' equity — which had been sharply eroded by the $3 billion provision — was at $6.8 billion at the end of September, down from $7.5 billion a year earlier.

Citicorp said it declared a 100 percent dividend, which is equivalent to a 2-for-1 stock split. Including the 20 million new shares, shares outstanding will double to about 318 million.

■ Shearson Lehman

Shearson Lehman Brothers Holdings Inc. said Tuesday that its net profit for the third quarter fell 21.5 percent to $51 million, from $65 million a year earlier. Revenue for the quarter rose 18 percent, to $1.3 billion from $1.1 billion.

For the first nine months, net profit was $189 million, compared with $215 million, while revenues rose to $3.9 billion from $3.3 billion in the 1986 period. Per-share earnings were 51 cents for the 1987 quarter $2.07 for the first nine months.

■ E.F. Hutton

E.F. Hutton Group Inc. reported that third-quarter net more than doubled to $8.7 million, or 26 cents a share, from $3.6 million, or 11 cents a share, a year earlier.

Revenues for the period were $988.9 million, a 46.6 percent increase from $674.5 million in the 1986 quarter.

For the first nine months, net was $120.6 million, or $3.65 a share, up from $43.6 million, or $1.38 a share, in the year-earlier period. Nine-month revenues were $2.7 billion, against $2.1 billion.

■ Manufacturers Hanover

Manufacturers Hanover Corp. said Tuesday that its third-quarter net was $129.1 million, up 22 percent from $105.8 million a year earlier. Per-share earnings for the quarter were $2.73, against $2.29.

For nine months, the bank reported a net loss of $1.16 billion, or $28.33 a share, compared with net profit of $301.8 million, or $6.42 a share, a year earlier. The nine-month figures include a $1.7 billion addition to loan-loss reserves in the second quarter.

■ PaineWebber Group

PaineWebber Group Inc. said its third-quarter net was $14.81 million, down 30 percent from $21.14 million in the year-earlier period.

The financial services company's per-share profit came to 44 cents, down from 71 cents a share in 1986.

However, revenues for the quarter were $628.6 million, an increase of 3.8 percent from $605.6 million a year earlier.

For nine months, the company had earnings of $65.01 million, or $2.01 a share, on revenues of $1.89 billion, compared with $57.44 million, or $1.93 a share, on revenues of $1.81 billion.

■ Bankers Trust New York

Bankers Trust New York Corp. reported net profit of $146.4 million, or $2.03 a share, in the third quarter, up from $110.3 million, or $1.53 a share, a year earlier.

For the first nine months, the bank reported a net loss of $283.3 million, or $3.99 a share, as against a profit of $330.5 million, or $4.62 a share, in the first nine months of 1986. Assets were at $56.9 billion, up from $50.7 billion.

(Reuters, UPI)

Compaq, Apple Put Squeeze on IBM PS-2

Analysts Say Sales May Be Lagging

By Mark Potts
Washington Post Service

WASHINGTON — Six months after the introduction of its new-generation PS-2 line of personal computers, International Business Machines Corp. has found itself between a rock and a hard place.

The rock is Compaq Computer Corp., which is enjoying record sales of personal computers based largely on the technology IBM abandoned.

The hard place is Apple Computer Inc., which has taken advantage of IBM's delays in rolling out parts of its new computer line to rack up huge sales increases and to make important inroads in the business computer market long dominated by IBM.

And while IBM claims to have shipped one million PS-2 models to dealers since the computers were announced in April, some industry analysts and consultants say aggressive discounting programs indicate that sales of the machines may be lagging somewhat. One computer industry magazine even has suggested that the PS-2 might be the "New Coke" of the computer industry.

Perhaps more important, the experts say, the success of Compaq and Apple in recent months means that IBM now has company in the leadership position in the personal computer industry.

"Both Compaq and Apple clearly have benefited from the PS-2 introduction, at least for now," said Daniel C. Benton, an industry analyst at Goldman Sachs & Co.

"There is some relative market shifting, let's say, between Compaq, IBM and Apple," said John C. Maxwell, an analyst at Dillon, Read & Co. Inc., a New York brokerage. "I'd say Apple has been able to gain the most in terms of their market position."

Although the Apple II, introduced in 1977, is widely acknowledged as the first mass-market personal computer, the introduction of the IBM PC in 1981 turned personal computers into a big business.

The PC quickly became an industry standard, and IBM sold six million of the computers in various increasingly powerful versions. Millions more IBM-compatible machines, known as clones, have been sold by other makers, such as Compaq, Leading Edge and Epson. Apple, whose computers operate differently, made only minor inroads into the market, particularly in the hugely lucrative business-computing field.

The introduction of the second-generation IBM personal computer, then, was widely awaited. Indeed, many potential buyers held off purchases for months before the announcement last April, creating a pent-up demand that analysts say is still running its course.

The new PS-2 models are a quantum leap in technology from the old PCs, offering a great deal more power and other features. But while they will run existing MS-DOS software for IBM PCs and compatible machines, operating software that will take advantage of many of the PS-2s advanced features still is unavailable, and is not due until early next year.

Analysts say this has hurt IBM's sales, because customers are reluctant to pay a higher price now for features that are not immediately available. "It's all futures and IBM promises," said Bruce M. Lupatkin, an analyst at Hambrecht & Quist, a San Francisco brokerage.

IBM, however, insists that sales of the PS-2 line are excellent. "Demand is very strong," said a spokesman. "It's certainly exceeding our expectations."

But analysts aren't so sure. They say IBM has offered discounts on some of the computers in the PS-2 line, an unusual step for such a new machine. Also, they say, IBM has been untypically loud in boasting about the PS-2's sales. "They do seem to be doing a little bit too much promoting for a product that's selling so well," said Mr. Benton, the Goldman Sachs analyst.

While a million computers shipped in six months is an impressive number, experts caution that it's a little misleading, since IBM counts computers shipped to dealers, not customers. Many of those computers may be sitting in dealers' storage rooms rather than on customers' desks, analysts said.

Nonetheless — and despite the "New Coke" jokes — there is little doubt that the PS-2 will become as much of an industry standard as its predecessor, if only because of IBM's clout and reputation. IBM also is said to have taken advantage of the introduction of the PS-2 to increase its already strong retail sales network through incentive and exclusivity programs with dealers, which will further help the PS-2 in the future.

"All the indications are that the acceptance and popularity of the machine are increasing all the time," said Peter Teige, an analyst for Dataquest, a technology research and consulting firm in San Jose, California. "It appears to be rapidly on its way to becoming the new standard."

In its wake, however, the PS-2 has created an opportunity for Compaq and the clone makers, experts say, because of IBM's decision, made shortly after the new machines were introduced, to discontinue the remaining vestiges of the old PC line, the extremely popular XT and AT computers.

Instead, many customers went for Compaq's IBM PC-compatible computers. Over the past couple of years, Compaq has established a considerable reputation in the industry for technological advances, distinguishing its machines from other IBM clones by offering features that not even IBM PCs had. Indeed, the high-end machines in Compaq's current line are considered equivalent or better in power, features and value to many of the PS-2 models.

That Compaq was able to take advantage of IBM's actions was evident in the company's most recent earnings statement, released in August. It showed that during the three months immediately after the PS-2's introduction, Compaq's sales jumped 82 percent, and its profits more than tripled.

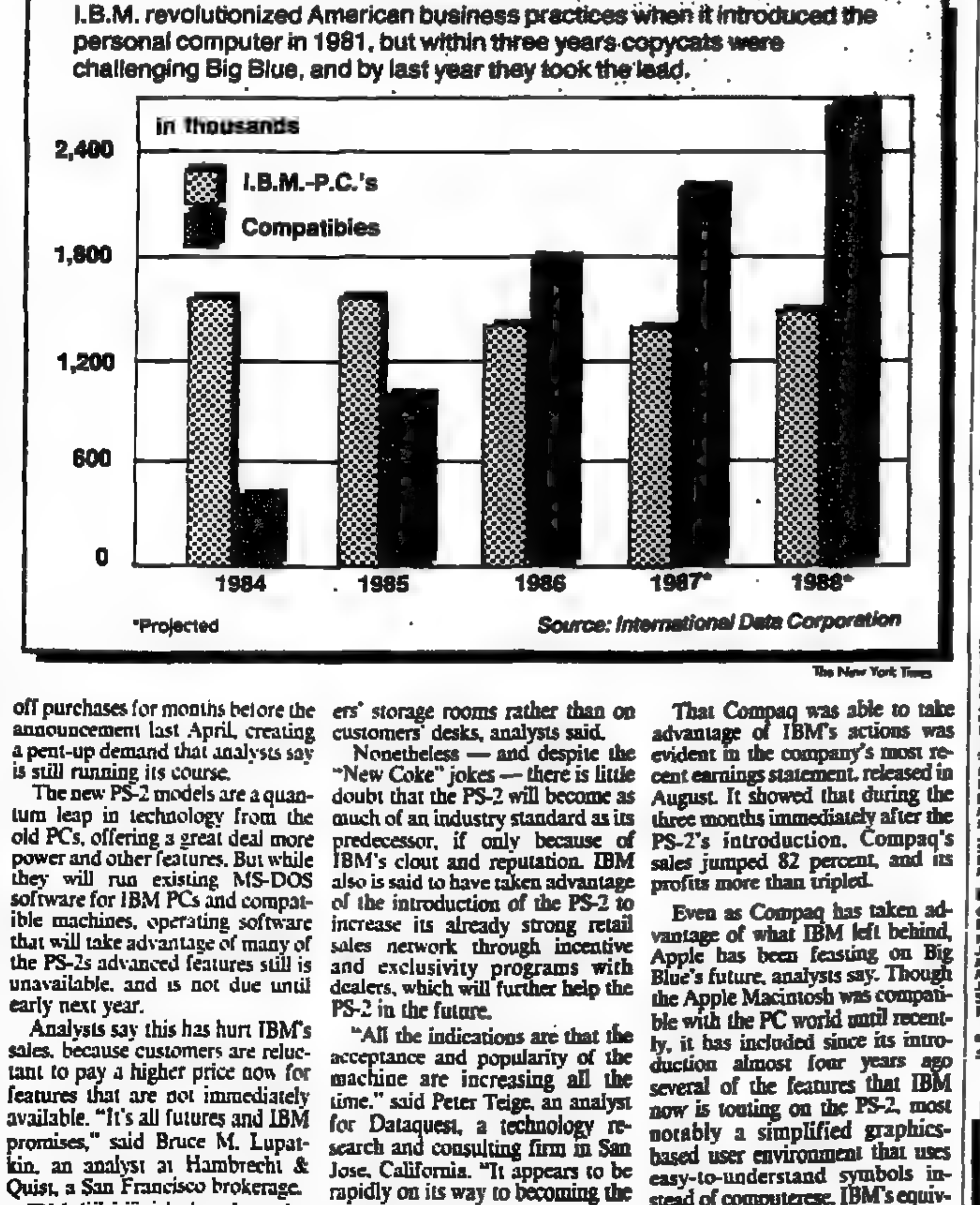
Even as Compaq has taken advantage of what IBM left behind, Apple has been feasting on Big Blue's future, analysts say. Though the Apple Macintosh was compatible with the PC world until recently, it has included since its introduction almost four years ago several of the features that IBM now is touting on the PS-2, most notably a simplified graphics-based user environment that uses easy-to-understand symbols instead of computerese. IBM's equivalent system, in fact, won't appear until the new OS-2 operating system comes out next year.

That graphics-based system — combined with a new thrust toward business customers by Apple's marketing team, improvements in power and technology, and momentum from the Macintosh's popularity as a desk-top publishing machine — has put Apple and the Mac on a roll. Last week, the company reported a 54 percent quarterly increase in sales — particularly impressive for a company whose annual sales top $2 billion — and a doubling of quarterly earnings.

For the first time, experts say, important personal computer programs now are being written for the Macintosh before they are produced for the IBM PC, instead of the other way around.

Clones Surging Past I.B.M. PC's

I.B.M. revolutionized American business practices when it introduced the personal computer in 1981, but within three years copycats were challenging Big Blue, and by last year they took the lead.



The New York Times

U.S. Futures

Via The Associated Press — Oct. 20

Grains

WHEAT (CBT) — 5,000 bu minimum- dollars per bushel

CORN (CBT) — 5,000 bu minimum- dollars per bushel

SOYBEANS (CBT) — 5,000 bu minimum- dollars per bushel

SOYBEAN MEAL (CBT) — 100 tons- dollars per ton

SOYBEAN OIL (CBT) — 60,000 lbs- dollars per 100 lbs.

Food

COFFEE C (NYCSCE) — 37,500 lbs.- cents per lb.

SUGAR WORLD 11 (NYCSCE) — 112,000 lbs.- cents per lb.

COCOA (NYCSCE) — 10 metric tons- $ per ton

ORANGE JUICE (NYCE) — 15,000 lbs.- cents per lb.

Livestock

CATTLE (CME) — 40,000 lbs.- cents per lb.

FEEDER CATTLE (CME) — 44,000 lbs.- cents per lb.

HOGS (CME) — 30,000 lbs.- cents per lb.

PORK BELLIES (CME) — 38,000 lbs.- cents per lb.

Metals

COPPER (COMEX)

ALUMINUM (COMEX)

SILVER (COMEX)

PLATINUM (NYME)

PALLADIUM (NYME)

GOLD (COMEX)

Financial

US T. BILLS (IMM) — $1 million- pts of 100 pct.

10 YR. TREASURY (CBT) — $100,000 prin- pts & 32nds of 100 pct

US TREASURY BONDS (CBT) — (8 pct-$100,000-pts & 32nds of 100 pct)

MUNICIPAL BONDS (CBT)

EURODOLLARS (IMM) — $1 million-pts of 100 pct.

BRITISH POUND (IMM) — $ per pound- 1 point equals $0.0001

CANADIAN DOLLAR (IMM) — $ per dlr- 1 point equals $0.0001

FRENCH FRANC (IMM) — $ per franc- 1 point equals $0.00001

GERMAN MARK (IMM) — $ per mark- 1 point equals $0.0001

JAPANESE YEN (IMM) — $ per yen- 1 point equals $0.000001

SWISS FRANC (IMM) — $ per franc- 1 point equals $0.0001

Industrials

LUMBER (CME)

COTTON 2 (NYCE)

HEATING OIL (NYME)

CRUDE OIL (NYME)

Stock Indexes

SP COMP. INDEX (CME) — points and cents

VALUE LINE (KCBT) — points and cents

NYSE COMP. INDEX (NYFE) — points and cents

	Dec	Mar	Jun	Sep	Dec
Open	130.00	136.00	139.00	140.25	131.50
High	141.00	143.00	139.00	140.25	133.30
Low	103.00	104.00	110.00	131.30	117.00
Close	122.50	124.00	125.50	127.00	122.50
Chg.	+7.50	+7.60	+7.70	+7.80	+7.50

Est. Sales 10,210 Prev. Sales 19,031
Prev. Day Open Int. 12,464 up 1,812

Commodity Indexes

	Close	Previous
Moody's	1,021.50 f	1,046.60 f
Reuters	1,640.1	1,679.80
D.J. Futures	127.32	132.51
Com. Research	N.A.	229.51

Moody's : base 100 : Dec. 31, 1931.
p - preliminary; f - final
Reuters : base 100 : Sep. 18, 1931.
Dow Jones : base 100 : Dec. 31, 1974.

Market Guide

CBT:	Chicago Board of Trade
CME:	Chicago Mercantile Exchange
IMM:	International Monetary Market Of Chicago Mercantile Exchange
NYCSCE:	New York Cocoa, Sugar, Coffee Exchange
NYCE:	New York Cotton Exchange
COMEX:	Commodity Exchange, New York
NYME:	New York Mercantile Exchange
KCBT:	Kansas City Board of Trade
NYFE:	New York Futures Exchange

Currency Options

Oct. 20

PHILADELPHIA EXCHANGE

Paris Commodities

Oct. 20

SUGAR — French francs per metric ton

COCOA — French francs per 100 kg

COFFEE — French francs per 100 kg

Source: Bourse du Commerce.

London Metals

Oct. 20

ALUMINUM — Sterling per metric ton

COPPER CATHODES (High Grade) — Sterling per metric ton

COPPER CATHODES (Standard) — Sterling per metric ton

LEAD — Sterling per metric ton

NICKEL — Sterling per metric ton

SILVER — Pence per troy ounce

TIN — Sterling per metric ton

ZINC — Sterling per metric ton

Source: AP.

S&P 100 Index Options

Oct. 19

Source: CBOE.

London Commodities

Oct. 20

SUGAR — Sterling per metric ton

COCOA — Sterling per metric ton

COFFEE — Sterling per metric ton

GASOIL — U.S. dollars per metric ton

Sources: Reuters and London Petroleum Exchange.

DM Futures Options

W. German Mark-125,000 marks, cents per mark

Oct. 20

Source: CME.

U.S. Treasuries

3-month bill
6-month bill
1-year bill
30-yr. bond

Source: Salomon Brothers.

Spot Commodities

Oct. 20

Commodity	Today	Prev.
Aluminum, lb	7.55	8.20
Coffee, lb	1.07	1.07
Copper electrolytic, lb	0.91-.93	0.91-.93
Iron FOB, ton	213.00	213.00
Lead, lb	0.42	0.42
Printcloth, yd	0.91	0.91
Silver, troy oz	7.43	8.20
Steel (billets), ton	473.00	473.00
Steel (scrap), ton	115.-116.	115.-116.
Tin, lb	4.2885	4.2776
Zinc, lb	0.43	0.43

Source: AP.

Dividends

Oct. 20

Company	Per	Amt	Pay	Rec
DISTRIBUTION				
Cal Fed Inom Ptnrs	Q	.25	11-16	10-30
INCREASED				
Super Food Servcs	Q	.09 ½	12-15	[illegible]
INITIAL				
Banking Center	-	.20	12-11	10-30
Brooklyn Svgs Bk	-	.10	12-1	10-30
REDUCED				
CityFed Financial	Q	.01	11-16	11-2
SPECIAL				
Schulman (A)	-	.10	11-22	11-9
USUAL				
Acme Electric	Q	.08	12-7	11-9
BF Goodrich Co	Q	.39	12-31	12-4
Constar Interntl	Q	.16	12-1	11-12
Core Industries	Q	.16	1-4	12-14
CulCo Industries	Q	.05	11-16	11-2
Eastern Utils Ass	Q	.57 ½	11-15	10-30
Eli Lilly & Co	Q	.50	12-10	11-13
Federal Signal	Q	.20	1-7	12-17
Galaas-Larsen Shpg	-	.12	11-10	10-27
Intl Research & Dev	-	.09	11-25	11-13
Johnson & Johnson	Q	.42	12-10	11-20
Magna Group Inc	Q	.17	12-10	11-15
Nw Hpshr Svng Bk	Q	.12	11-15	10-31
Pall Corp	Q	.08 ½	11-13	10-30
Rexham Corp	Q	.20	12-1	11-2
South Carolina Natl	Q	.14	1-4	12-10
Southern Co	Q	.53 ½	12-5	11-2
Strategic Mtge Invts	-	.48	11-22	11-2
VWR Corp	Q	.20	12-4	11-16
Whirlpool Corp	Q	.27 ½	12-31	12-4
Zions Bancorp	Q	.36	1-26	1-1
Zurn Industries	Q	.17	1-15	12-11

a-annual; m-monthly; q-quarterly; s-semi-annual

Source: UPI.

Government to Sell Stake in N.Z. Steel

Reuters

WELLINGTON, New Zealand — The government has agreed to sell its 89 percent in New Zealand Steel Ltd. to Equiticorp Holdings Ltd. for 327 million New Zealand dollars ($213 million), Finance Minister Roger Douglas said Tuesday.

The price was came to 44 cents a share. NZS shares closed on Tuesday at 40 cents.

Equiticorp's chairman, Allan Hawkins, said that the agreement required his company to make a full bid, at 44 cents, for all NZS shares within a week. Equiticorp is offering one of its shares for every eight NZS shares, ex-interim dividend.

Faber Open to Grenfell Sale

Reuters

LONDON — Willis Faber PLC said Tuesday that it would consider any bid for its 20.8 percent stake in the merchant bank Morgan Grenfell Group PLC, but added that it had not yet received any offers.

MARKETS IN TURMOIL: Bond prices and the dollar show gains

Dollar Sharply Higher in New York

Compiled by Our Staff From Dispatches

NEW YORK — The dollar closed sharply higher in New York Tuesday, continuing an overnight rally started by comments from U.S. and West German monetary officials that recent differences had not weakened an agreement on exchange rates.

Analysts said the dollar also received a boost in the early going on a rebound in U.S. stock prices.

In New York, the dollar, which had been sharply lower Monday, rebounded more than 3 pfennigs and 2.6 yen to close at 1.8105 Deutsche marks, up from 1.7735 on Monday, and at 143.95 yen, up from 141.35.

The dollar also closed at 1.5030 Swiss francs, up from 1.4730 on Monday, and at 6.0420 French francs, up from 5.9245.

The British pound was 3.45 cents lower, closing at $1.6515, against $1.6855 on Monday.

"All the various monetary authorities are getting involved and joining forces and showing a great deal of concern over recent turmoil in the markets," said Thomas Benfer, a trader with Bank of Montreal in New York.

Traders said one sign of cooperation emerged from a meeting in Frankfurt on Monday between the U.S. Treasury secretary, James A. Baker 3d, West Germany's finance minister, Gerhard Stoltenberg, and the Bundesbank president, Karl Otto Pöhl.

"The parties agreed to continue economic cooperation under the Louvre agreement," a statement released after the meeting said, "including cooperation on exchange-rate stability and monetary policies."

Over the weekend, Mr. Baker had criticized West Germany for recent increases in interest rates. Foreign exchange traders had begun to question the strength of the Louvre accord, an agreement designed to foster stability among exchange rates.

The cooperation "is a sign of support for the dollar," Mr. Benfer said. "They don't want to see the dollar go into a freefall. Certainly, it is a reconsideration of recent differences and it is providing support for world stock, bond and foreign-exchange markets."

In London, the dollar closed with gains of more than 2 pfennigs and 2 yen.

At one point the dollar was more then 4 pfennigs higher, soaring almost a pfennig in half an hour of hectic trading as U.S. bonds rallied and several leading U.S. banks lowered their interest rates.

"That was one hell of a rally," a dealer with a major U.S. bank said.

In London, the dollar closed at 1.8090 DM, up from 1.7773 on Monday, and at 143.85 Japanese yen, up from 141.72.

It also closed at 1.5005 Swiss francs, up from 1.4765, and at 6.0375 French francs, up from 5.9375.

The dollar was also higher against the British pound, which closed at $1.6545, against $1.6805 on Monday.

"The immediate panic would appear to be over," one dealer said, though he, like others, declined to predict where the currency might move next.

"It's very difficult to say what such big swings might do to sentiment," he said.

Another said, "Where it goes from here, I haven't a clue. anything can happen, though I tend to think it still goes lower."

The signatories to the accord "are going to have to face facts and adjust their exchange rate targets," he said, referring to the U.S. trade deficit, which has stayed stubbornly large despite the currency measures intended to help redress imbalances.

Earlier in Europe, the dollar was fixed in Frankfurt at 1.7918 DM, up from 1.7740 on Monday, and in Paris at 6.0140 French francs, up from 5.9395.

The dollar closed in Zurich at 1.5020 Swiss francs, up from 1.4760.

Overnight in Tokyo, the dollar closed at 143.05 yen, up from 141.00 on Monday. *(UPI, Reuters)*

London Dollar Rates

Closing	Tue.	Mon.
Deutsche mark	1.8090	1.7773
Pound sterling	1.6545	1.6805
Japanese yen	143.85	141.72
Swiss franc	1.5005	1.4765
French franc	6.0375	5.9375

Source: Reuters

Gold Lower in Response To Stock, Dollar Rebounds

Reuters

LONDON — Gold prices slumped Tuesday in response to a weak U.S. bullion market and to a rebound in U.S. stock prices and in the dollar, dealers said.

Republic National Bank in New York closed cash gold at $464.25 an ounce, down sharply from its Monday close of $482. New York's Commodity Exchange settled the spot contract at $463.20, down $18.50 from the previous $481.70.

Gold bullion ended at $461.50 an ounce in London, down $21.25 from $482.75 at Monday's close, having fallen during the afternoon session. The U.S. bullion market sagged during early afternoon dealings and pushed gold down to $464.30 at the afternoon fixing session from the morning settlement of $481.60.

Comex floor traders said that the drop in gold exceeded expectation. They said prices had been expected to be only $2 to $3 lower, based on overnight markets. The dollar's renewed strength prompted foreign traders to sell gold in New York.

Bill Byers of Bear Stearns said that the free-fall in equities on Monday weakened the margin position of many stock traders who rushed to sell assets to sustain their margined accounts.

Erik Dunlaevy of Balfour Maclaine International said traders "tried to take a bearing on the stock market trend to decide if there was still a need to find a safe harbor in this financial storm."

BONDS: *Nervous Investors Rush Into U.S. Treasuries*

(Continued from first finance page)

percent 30-year Treasury bond advanced by 2 24/32 points to close at 93 26/32.

The long bond yield fell to 9.50 percent from Monday's finish at 9.80 percent and 10.42 percent on Monday morning. Its yield soared into double digits last week after the report of a larger-than-expected $15.68 billion U.S. trade deficit for August raised fears of a sharp decline in the dollar.

The dollar has strengthened against foreign currencies, buoyed by Monday's reaffirmation of the Louvre accord on currency stability by U.S. and West German officials. Their comments seemed to lessen the likelihood that the United States would allow the dollar to decline in protest at recent rises in West German money market rates.

With long-term bond prices also gaining from the exodus of capital from the equity markets, the 8⅞ percent 30-year Treasury bond advanced by 3 20/32 points to 94 22/32.

In another move that helped calm markets, the Bundesbank began to blunt this rate rise on Monday by injecting liquidity into the domestic market.

Dealers said bond investors seemed to set aside their fear that, despite the Louvre accord, the massive U.S. trade and budget deficits would cause the dollar to fall and trigger high inflation.

Instead, in the wake of Monday's stock market plunge, they focused on the possibility of a recession, which would bring lower interest rates.

"We're also seeing money from the sidelines stepping up now, getting out of cash because they feel the market's healthier."

In the junk bond market, prices of many issues slumped by 2 to 4 points. *(Reuters, AP)*

U.S. Officials Move to Smooth Roiled Markets

The Associated Press

WASHINGTON — President Ronald Reagan held an extraordinary meeting late Tuesday with the Federal Reserve Board chairman, Alan Greenspan, and Treasury Secretary James A. Baker 3d to discuss the chaos in world stock markets.

Mr. Baker rushed back from meetings in Europe to keep a closer watch on the situation and Mr. Greenspan issued a statement reassuring the nation's banks that the Fed would not move to tighten credit.

Analysts suggested that the government had limited options for dealing with the crisis.

As financial leaders of industrial nations conferred by telephone, analysts suggested that a statement reaffirming a commitment to hold the dollar at current levels in an effort to quiet tumultuous international markets might be forthcoming by day's end.

Meanwhile, a senior White House economic adviser predicted in an internal forecast that the nation might face a recession as early as next spring barring a dramatic reversal of the market plunge, according to an administration official.

The new forecast reversed an earlier projection of continued growth in the economy at least through the end of President Reagan's term in early 1989, said the official, who spoke only on the condition of anonymity.

The new projection was based on a contention that the damage done to the economy from Monday's stock market crash might be too deep to correct, the source said.

Earlier Tuesday, Mr. Greenspan said the Federal Reserve would make easy-term emergency loans available to banks to preserve the "liquidity" of the financial system.

Analysts said the Fed action was a means of assuring banks that the Fed would make loans available with few strings attached to help boost bank reserves in case of any emergencies.

SLIDE: *Stock Fall Seen Adding to Risk of U.S. Recession*

(Continued from Page 1)

Columbia University, said that corporate planners may decide to delay capital spending projects.

"Businesses make decisions every day and they may already have decided to postpone investing in new plant facilities," he said.

Allen Sinai, chief economist at Shearson Lehman Brothers, said he reckoned that the paper losses on Wall Street on Monday would translate into a $55 billion drop in consumer spending next year.

This would reduce the already modest 3 percent economic growth anticipated next year by 1 or 2 percentage points, he said.

This in itself would not bring on a recession. But it clearly increases the vulnerability of the economy, especially if the market fails to find solid ground in the days and weeks ahead and posts another significant decline.

"It raises the odds on a recession," Mr. Sinai said. "There's no doubt that the risk is much higher now than it was last week. I thought a recession was likely in 1989, but the concern now is about 1988."

Barry Bosworth, an economist at the Brookings Institution, a private research group in Washington, said he believed the impact of the stock market fall would be less severe.

He said it would trim growth prospects next year by a half percentage point, which he described as a "marginal."

In June, the administration estimated that the economy would grow 2.6 percent this year, adjusted for inflation, and 3.3 percent next year. New estimates will be given in the president's economic report to Congress in January.

Spokesmen at the Council of Economic Advisers and the Treasury Department had no comment on how the stock market's plunge might affect growth estimates.

Still, the risk of a recession has replaced, at least temporarily, concern about inflation as a major theme in the stock market.

"Inflation psychology has flip-flopped," said Beth Reiners, a vice president at Dean Witter Reynolds in New York.

She said that was one reason that government bond markets have surged as stocks have spiraled.

Moreover, economists and investment strategists said they do not see any easy way to overcome these recessionary fears.

"There's really two elements that will restore confidence," said Mr. Hormats.

"One would show Washington doing something about the budget deficit," he said. "The other would show that the major economies can work together to solve their problems."

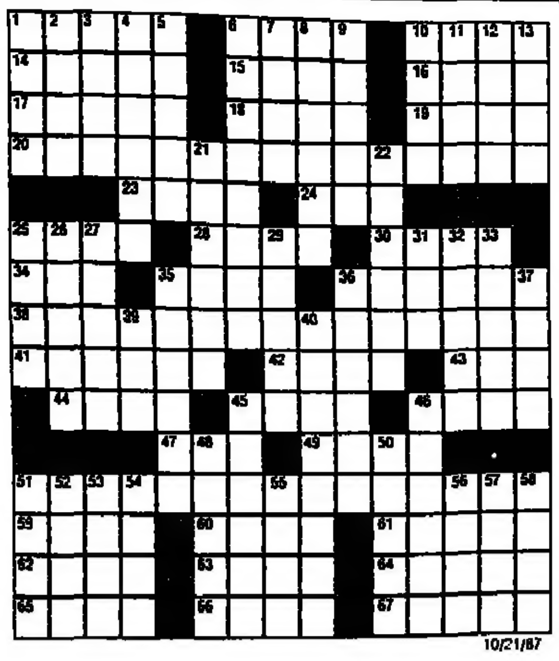
Tuesday's OTC Prices

NASDAQ prices as of 4 p.m. New York time.

Via The Associated Press

Tuesday's AMEX 3 p.m.

(Continued)



10/21/87

ACROSS

1 Damp
6 Bravura
10 Third man
14 Goose genus
15 Division word
16 Doll's word
17 Pelt
18 Nova, e.g.
19 Writer Bagnold
20 "Let the prisoner come down," said Tom ——
23 German river
24 100-yr. period
25 Vidal novel
28 Plexus
30 Spare, e.g.
34 Rosary bead
35 Boxer Max
36 Prepares steak
38 "I'm wearing sneakers," said Tom ——
41 Skater Zayak
42 Kiss
43 German article
44 Ampersands
45 Saucy
46 Cut, old style
47 Sculler
49 Unruly child
51 "No ifs," said Tom ——
59 Peruse
60 "—— and a Woman"
61 Fictitious name
62 Beach cover
63 —— Noël
64 Holiday pie
65 Fine ——
66 Dos chaser
67 Inscribe

DOWN

1 Opposite of fem.
2 Not fooled by
3 "The heat ——"
4 Mailer
5 Cornered
6 Prudent
7 Stake
8 Position
9 Vast number
10 So be it!
11 Gun sound
12 Actor Jannings
13 Noblewoman
21 Tijuana blanket
22 Pop-song lead-ins
25 Military station
26 Lobe in the mouth
27 Showed again
29 Fox or Crow
31 Chit
32 Gone up
33 Miss —— of "Dallas"
35 Robert Guillaume series
36 Cafe
37 "Auld Lang ——"
39 Exterminate
40 Certain engines
45 Preliminary coat of paint
46 A Yalta conferee
48 Conform
50 "What's in ——?"
51 —— Major
52 Close-by
53 Whine
54 Race-track listings
55 Darnel
56 Fuzz
57 Intertwine
58 North Sea feeder

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DENNIS THE MENACE

"GOSH, MR. WILSON... WHAT ELSE IS A WATER PISTOL GOOD FOR?"

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

GYDUP

FETAC

HEMMAY

SPOUTH

A ZIPPER IS THE ONLY THING THAT GETS STUCK ON A WOMAN MORE OFTEN THAN THIS.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here:

(Answers tomorrow)

Yesterday's | Jumbles: CHICK VIGIL OPIATE BANNER
Answer: "What does the X-ray of my head show?"—"NOTHING"

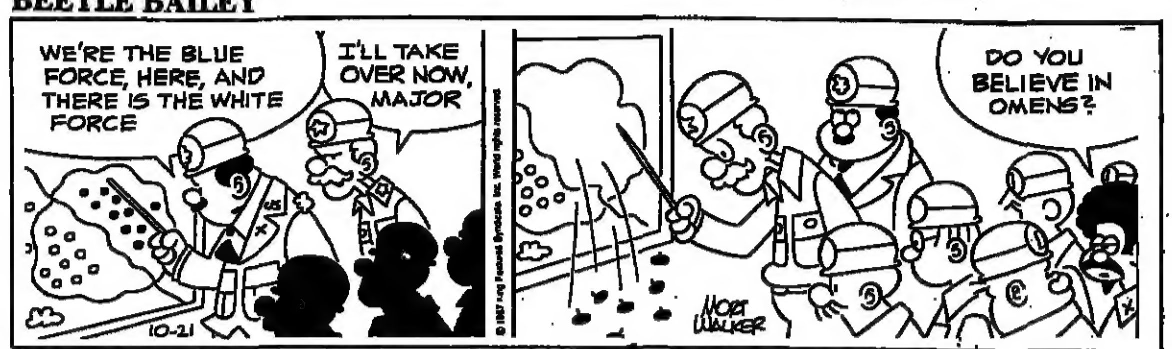
WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F		ASIA	HIGH C	HIGH F	LOW C	LOW F	
Algarve	20	68	14	57	cl	Bangkok	33	91	25	77	st
Amsterdam	15	59	10	50	o	Beijing	12	54	2	36	cl
Athens	23	73	15	59	cl	Hong Kong	27	81	24	75	cl
Barcelona	21	70	17	63	o	Manila	32	90	25	77	r
Belgrade	17	63	7	45	fr	New Delhi	28	82	17	63	fr

PEANUTS

BLONDIE

BEETLE BAILEY



ANDY CAPP

WIZARD of ID

REX MORGAN

GARFIELD

BOOKS

THE WIDOWS OF RUSSIA: And Other Writings

By Carl R. Proffer. 159 pages. $25. Ardis Publishers, 2901 Heatherway, Ann Arbor, Mich. 48104.

Reviewed by Nina Berberova

THIS fascinating book gives us much more than its slightly gloomy title promises. The "widows of Russia" occupy two-thirds of the volume, and not every widow seems to have had an engrossing or unusual life. But three of them are unforgettable. Carl Proffer, co-founder of Ardis Publishers, scholar, editor-cum-friend, who died in 1984, knew them all personally. Nearly 50 pages are given to Nadezhda Mandelstam (1899-1980) whom Proffer befriended in her old age. She was the widow of Osip Mandelstam, one of the greatest Russian poets of the 20th century, who died a gruesome death in a concentration camp in Siberia.

In the last years of her life she still was a lively, highly intelligent, resilient, whimsical old lady ("a mean old thing" in her own words) who used "dirty" words, was sometimes rude, and struggled to remain independent.

Two other women did not have the same tragic experience as the widow of Mandelstam. One was the widow of the Soviet writer V. Ivanov (1895-1963). He was a prolific writer, mainly writing about the civil war (1918-1922) in Siberia ("Armored Train 14-69," by Stalin's standards a classic) who nevertheless at one time ran into trouble with the authorities. His widow, Tamara, a former actress, had, as we now know, an affair with Isaac Babel (1894-1941), who died in a camp and has since been rehabilitated.

The third widow was the thrice married Lily Brik. Her first husband, born in 1888, was a scholar, a "formalist" of the modern school, one of the prominent members of the Russian "new criticism" (1913-1930). The second was a member of the group of Soviet generals shot by Stalin's henchmen in the late '30s. The third was a scholar of the Russian avant-garde or, to put it more accurately, of the work of Mayakovsky (who committed suicide in 1930).

But really it was Mayakovsky who had been Lily's "husband" from 1915 to 1930. The memorabilia that Proffer had the chance to see in Lily's "salon" (where he was given caviar and a special "export vodka") were stunning.

Lily, Tamara and Nadezhda were quite open and discussed their affairs without any fear of any "scandal." They were generous in offering details: living in their own century, not in the previous one. This might bring us to the conclusion that some of the Russian women born after 1890 (which means growing up before 1914) were already "liberated," whereas the majority of those of the generation of Anna Akhmatova (born in 1888) still clung to the old Victorian standards.

Nina Berberova, professor emeritus of Russian at Princeton University, wrote this review for the Washington Post.

Solution to Previous Puzzle

SAFER ALMS SCAT
AWARE MEDE POUR
COURTLIEST LUNA
RLS RISK THIRTY
ESTEEM SELECT
SAND DEFERS
ELAND INERT OAR
LOGE SLIMS MOVE
SKI SCALA TIMED
INPART SPOT
COPIES ONEMAN
EGOISM AILS ACE
PIUS PAYCOURTTO
INRE ELSE RATON
CATS DIOR EWERS

10/21/87

BEST SELLERS

The New York Times

This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on list are not necessarily consecutive.

This Week	FICTION	Last Week	Weeks on List
1	PRESUMED INNOCENT, by Scott Turow	1	17
2	HEAVEN AND HELL, by John Jakes	3	3
3	PATRIOT GAMES, by Tom Clancy	2	12
4	LEAVING HOME, by Garrison Keillor	4	5
5	BELOVED, by Toni Morrison	5	5
6	SARUM, by Edward Rutherfurd	6	9
7	LEGACY, by James A. Michener	7	7
8	HOT FLASHES, by Barbara Raskin	9	4
9	MISERY, by Stephen King	8	20
10	FREEDOM, by William Safire	10	6
11	THE NEW BREED, by W. E. B. Griffin	11	4
12	THE FIVE BELLS AND BLADEBONE, by Martha Grimes	14	7
13	A SOUTHERN FAMILY, by Gail Godwin		1
14	THE PRINCE OF TIDES, by Pat Conroy	13	48
15	WEEP NO MORE, MY LADY, by Mary Higgins Clark	15	16
	NONFICTION		
1	VEIL, by Bob Woodward	1	11
2	SPYCATCHER, by Peter Wright with Paul Greengrass	1	12
3	TIME FLIES, by Bill Cosby	3	3
4	MAN OF THE HOUSE: The Life and Political Memoirs of Speaker Tip O'Neill, with William Novak	2	6
5	FAMILY: The Ties That Bind...and Gag!, by Erma Bombeck	5	6
6	THE CLOSING OF THE AMERICAN MIND, by Allan Bloom	4	25
7	IT'S ALL IN THE PLAYING, by Shirley MacLaine	6	6
8	THE GREAT DEPRESSION OF 1990, by Ravi Batra	8	15
9	THE MAKING OF "THE AFRICAN QUEEN," by Katharine Hepburn	7	5
10	STRAIGHT ON TILL MORNING, by Mary S. Lovell	11	6
11	LOVE, MEDICINE & MIRACLES, by Bernie S. Siegel	10	24
12	CULTURAL LITERACY, by E.D. Hirsch Jr.	9	20
13	CRYSTAL WOMAN, by Lynn V. Andrews		1
14	AN AMERICAN CHILDHOOD, by Annie Dillard	13	3
15	THE RENEWAL FACTOR, by Robert H. Waterman Jr.		1
	ADVICE, HOW-TO AND MISCELLANEOUS		
1	WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY, (Merriam-Webster)	1	110
2	THE 8-WEEK CHOLESTEROL CURE, by Robert E. Kowalski	2	15
3	WEBSTER'S NEW WORLD DICTIONARY, (Simon & Schuster)	4	19
4	THE TERRIBLE TRUTH ABOUT LAWYERS, by Mark H. McCormack		1
5	HOW TO MARRY THE MAN OF YOUR CHOICE, by Margaret Kent	3	11

BRIDGE

By Alan Truscott

ONE of the classics of the game, "Right Through the Pack," was written four decades ago by Robert Darvas and Norman de Vere Hart. Each card had an unusual story to tell about an event at the bridge table. The "Tale of the Two of Clubs" for example, described the shame of that lowly card in being used in a tricky maneuver to execute "The Fat Man's Villainy."

If those authors had been describing today's deal, played in August in a regional open pairs in Parsippany, New Jersey, they might have called it the "Tale of the Similar Sevens." The reader may wish to consider which two sevens are similar, and why.

East had an obvious four-spade opening, pushing South to five diamonds. After a spade lead and a club shift, the South player, Leigh Steinberg of Port Washington, Long Island, was able to make an overtrick, useful at match points. He won with the ace, drew trumps and established hearts with two high ruffs. A spade ruff served as the second entry to the dummy, and the diamond seven showed its worth at the finish by overtaking the six.

The defenders had led exactly the wrong number of spades. They could have saved the overtrick if they had led none, and developed a club trick, or if they had led two, forcing a ruff in the dummy before South needed that entry.

The post-mortem also revealed that East-West could always make 10 tricks in spades, and therefore would have done better to persevere to five spades or even six spades. After an opening trump lead, aiming to prevent the diamond ruff, East can win in his hand and establish clubs. South can hold up his ace for one round, but dummy has a trump entry with the seven if necessary. The diamond seven and the spade seven were "similar sevens," providing an entry in trumps to established winners in the dummy.

NORTH
♠ J
♥ A 9 8 6 4 3
♦ 7 5 4 2
♣ 6 4

WEST
♠ 7 2
♥ Q J 10 5
♦ 3
♣ K J 10 8 7 3

EAST (D)
♠ A K Q 10 9 8 6 3
♥ 7
♦ 9 8
♣ Q 2

SOUTH
♠ 5 4
♥ K 2
♦ A K Q J 10 6
♣ A 9 5

Neither side was vulnerable. The bidding:

East	South	West	North
4 ♠	5 ♦	Pass	Pass
Pass			

West led the spade seven.

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Oct. 20.

Tokyo (continued)

Honda	1280	1580
Japan Air Lines	17100	19100
Kajima	1510	1810
Kansai Power	2740	3240
Kawasaki Steel	256	331
Kirin Brewery	1920	2320
Komatsu	630	730
Kubota	515	615
Kyocera	5310	6310
Matsu Elec Inds	2070	2470
Matsu Elec Works	1760	2160
Mitsubishi Bank	2580	2980
Mitsubishi Chem	910	1110
Mitsubishi Elec	560	660
Mitsubishi Heavy	609	709
Mitsubishi Corp	1020	1220
Mitsui and Co	635	735
Mitsukoshi	1390	1690
Mitsumi	1000	1200
NEC	1910	2310
NGK Insulators	880	1080
Nikko Securities	1730	2130
Nippon Kogaku	960	1160
Nippon Oil	1220	1420
Nippon Steel	385	439
Nippon Yusen	565	638
Nissan	696	796
Nomura Securities	3828	4320
Olympus Optical	N.Q.	1130
Pioneer	2360	2760
Ricoh	1090	1290
Sharp	910	1110
Shimazu	870	1070
Shinetsu Chemical	1680	2080
Sony	4450	4950
Sumitomo Bank	3170	3670
Sumitomo Chem	782	882
Sumitomo Marine	1120	1320
Sumitomo Metal	269	314
Taisei Corp	870	1070
Taisho Marine	970	1170
Takeda Chem	2800	3300
TDK	4410	4910
Teijin	778	878
Tokio Marine	1730	2130
Tokyo Elec. Power	5600	6400
Toppan Printing	1560	1860
Toray Ind	760	860
Toshiba	676	776
Toyota	1700	2180
Yamaichi Sec	1770	2170

Nikkei 225 : 21910.08
Previous : 25746.56
New Index : 1792.90
Previous : 2101.17

To Our Readers

Zurich closing stock prices were not available Tuesday due to delays related to the heavy trading.

Market Closed

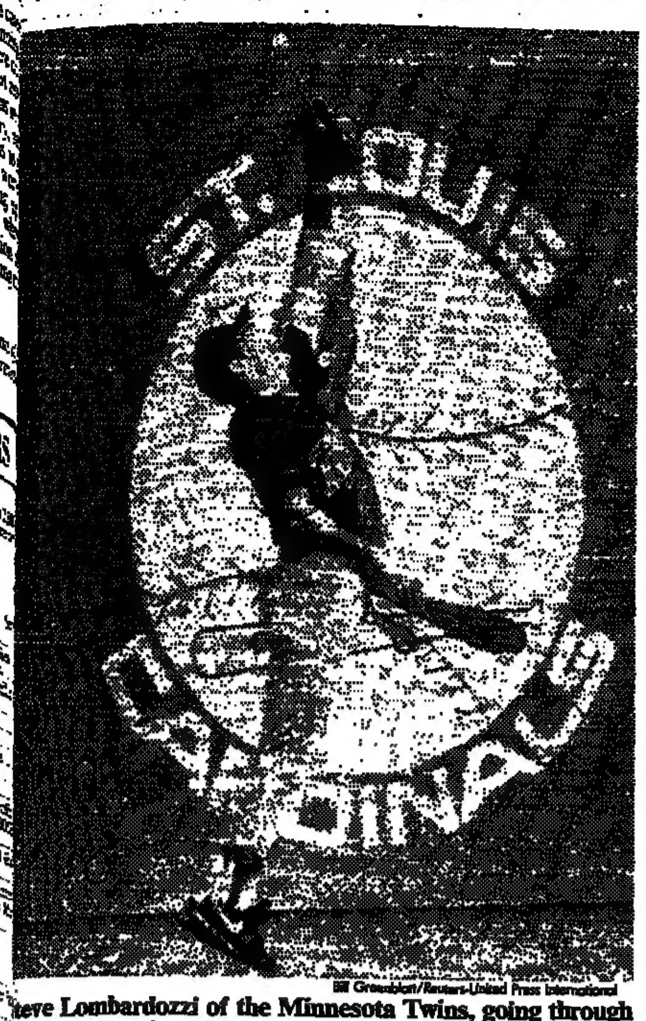
The stock exchange in Hong Kong remained closed Tuesday because of market developments and is expected to reopen next week.

Toronto Oct. 20

Canadian stocks via AP

SPORTS

Back at Home, Cardinals May Thicken the World Series Plot



Bill Greenblatt/Reuters-United Press International

teve Lombardozzi of the Minnesota Twins, going through n outfield workout Monday at Busch Stadium in St. Louis.

By Thomas Boswell
Washington Post Service

ST. LOUIS — Get ready for the World Series plot to thicken. O.K., O.K., make that root for the plot to thicken.

Minnesota and St. Louis could be such wonderful foils for each other, and produce such a marvelously theatrical six- or seven-game Series with building tension and complexity, that it would seem like a loss to fans in general if the woebegone Cardinals simply decide they can't beat a team as hot as the Twins in a park as crazy as the Thunderdome with as many injuries as they're enduring.

To their credit, both teams seem to be in almost ideal frames of mind at the moment. Neither is in need of a reality check. The Cardinals know they are on the ropes and that the Twins have the confidence, firepower and anger to close out this Series in St. Louis. Minnesota, thanks largely to Manager Tom Kelly's acidic tongue, knows the Cardinals are the decade's proven masters of the postseason comeback.

"They still have to win two. We have to win four, unfortunately," said John Tudor, who was to start Tuesday night against the eminently mortal Les Straker, who spent 10 years in the minors and writes notes to himself in his glove between innings, then refers to them between pitches.

"History says the odds are against us," added Tudor, 10-2 this year to Straker's 8-10. "But if we'd listened to history, we wouldn't have beaten San Francisco (in 1987) or Los Angeles (in '85) or the Brewers (in '82). Or lost to Kansas City (in '85)."

Perhaps no team has ever had more experience of and perspective on postseason wind shifts. The Cards have come from behind, 2-3, 0-2 and 2-3, to win in October — yet lost from 3-1. They know that in the last 10 years, the dominant trend in postseason baseball has been the collapse of prohibitive favorites after one traumatic momentum reversal.

If you'd spent the last decade betting heavily against every team that led a playoff or Series by two games, you'd be rich enough to own a team. Five of the last nine Series have seen such 2-0 or 3-1 flops. It has befallen Los Angeles, Baltimore, the New York Yankees, the Cardinals and Boston. Five league championship series have seen it, too — just in the 1980s. Remember the Angels, Cubs, Dodgers, Blue Jays and Angels again.

That's right, in the last nine years 10 teams have blown the kind of lead that Minnesota has. In all, 19 teams with postseason leads have ended up "ignominious" losers since 1977. The best guess here is that with 67 zillion people watching, it is extraordinarily easy to get happy too soon; conversely, it may be far easier than ever before to panic when you feel the humiliation of losing something you thought you owned.

Still, the Cardinals aren't banking on anything as flimsy as a mystery trend. "Now, in Game 3, it's win or else," said Tudor. "Otherwise, it's a long road back without much gas in the car."

"Like Sparky Anderson said when he went home down two games, 'I'm not gonna kid you. We're in deep trouble,'" said Cardinal Manager Whitey Herzog.

The Twins sound exactly opposite.

Kelly lectured Dan Gladden after Gladden said he'd thought about "putting down a flap," à la Jeff Leonard, as he ran out his grand-slam home run in Game 1. "It's a dumb thing even to say," said Kelly, a smart, tart man who's perfected playing dumb and bland.

Pitcher Frank Viola, asked if he was "thinking sweep," snapped: "Why? There is no way this team is going to be overconfident. We've been through so many bad times we're not going to take the good times for granted."

Both the Twins and Cardinals are true to the lessons of their heritages.

The Twins are still 118 games under .500 in the '80s; the Cardinals are 103 games over since Herzog arrived in '81. What Twin can imagine counting chickens? What Cardinal would think of quitting?

Both teams recognize the obvious dynamic at work in this Series. The Twins are a big-inning American League team that has laid on the Cardinals two of the larger innings in Series history. "We haven't done anything to embarrass ourselves except allow two big innings," says Tom Herr. "We can't let 'em string hits." St. Louis appreciates the irony that the Twins' eruptions have mostly been Cardinal-style ground-ball singles followed by something barrel-chested that goes over or off a fence.

St. Louis pitchers have had plenty of quick, easy innings. But, twice, when they needed one key pitch or catch, the Twins would not allow it and completed their carnage.

The Cards are a little-inning, hit-and-run speed National League team. "They say speed never goes into slumps," says Herzog. "That's not true."

When speed fails to steal first base, teams like the Cardinals go as dead as slugging clubs do when they lose confidence and start chasing pitches. The top three hitters in the St. Louis order are the culprits far more than the absence of Jack Clark or the limiting injuries of Terry Pendleton and Willie McGee. Vince Coleman, Ozzie Smith and Herr have an .083 Series on-base percentage. Pitchers do twice that well.

In fact, in three World Series, Smith (8-for-55) and Herr (8-for-59) have been batting flops every time. In this postseason, the three top-of-the-order Cards (hitting .196) have six runs and three steals — less than a third their normal numbers. All normally have good eyes; now all are impatient, especially Herr (no walks).

Play out this scenario, for fun. Tudor wins Game 3 and Viola takes No. 4 (or they both lose — either way, 3-1 Twins). Kelly starts Bert Blyleven in No. 5, going for the quick kill, just as he did against Detroit. Herzog counters with Bob Forsch, as he's said he will. On three days' rest, the 36-year-old Blyleven has a poor day. The Twins bullpen can't hold. St. Louis steals a wild one. Back to Minnesota where a rested Danny Cox beats Straker — hardly a remote possibility.

Now, we have Viola at home, pitching on three days' rest for the second straight time against Tudor on four days with his experienced Cards behind him facing the pandemonium of the Metrodome.

Who do you like in that one?

Martin Taking Yankee Helm Again

By Michael Martinez
New York Times Service

ST. LOUIS — Billy Martin, who came and went four times as manager of the New York Yankees in a 10-year span that began in 1975, was brought back for a fifth term late Monday in another shakeup by team owner George Steinbrenner.

Lou Piniella, the manager for the past two seasons, was named general manager. Martin, 59, spent the last two years as one of the team's television broadcasters and as a consultant to Steinbrenner. Martin managed the Yankees for most of the 1985 season, then was dismissed in favor of Piniella, the man he will replace.

Piniella, who had one year left on his two-year contract to manage the team, had told friends that he neither expected nor wanted to fulfill the deal. The club said he had agreed to a multiyear contract as general manager, replacing Woody Woodward.

Martin's return had been expected since late in the season, after the Yankees dropped from the American League East race and after Piniella incurred Steinbrenner's wrath by not making himself available for a telephone call from the owner during an August trip.

During the last two World Series, Steinbrenner announced Piniella's hiring and his rehiring. Recently, a source close to the Yankees said, Commissioner Peter Ueberroth asked Steinbrenner not to make any managerial move during this World Series so that he would not detract from the games. Steinbrenner, the source added, was prepared to adhere to Ueberroth's request but changed his mind after three general managers were dismissed or resigned during postseason games.

Because Piniella has had no front-office experience, Steinbrenner is expected to hire someone to assist him in contract negotiations and with major league and labor-agreement rules. Steinbrenner has said that person could be Bill Bergesch, who was dismissed by the Cincinnati Reds.

NYT

Billy Martin

Martin's off-and-on tenure with the Yankees, which began in August 1975 when he replaced Bill Virdon, has been marked by a number of stormy incidents.

He resigned under fire in July 1978; Steinbrenner brought him back in June 1979, then dismissed him after the season when Martin had a fight with a marshmallow salesman outside a hotel bar in Bloomington, Minnesota.

Martin was back again in 1983 and lasted the entire season, suffering his next dismissal after growing unrest among the players prompted Steinbrenner to make a change. His fourth term began 16 games into the 1985 season when he replaced Yogi Berra, who had replaced him. The season culminated in a series of bizarre events, climaxed by a vicious barroom fight at a Baltimore hotel with Ed Whitson, a Yankee pitcher.

Piniella replaced Martin and became the first manager since Martin in 1976-77 to manage the team two consecutive full seasons. His teams won 179 games and finished second in 1986 and fourth last season in the Eastern Division.

Martin has managed the Yankees for more games, 874, than any manager under Steinbrenner. Piniella is second, with 324.

Two English Teams Are Resurrected After the Bedlam and Inferno of 1985

International Herald Tribune

ROB HUGHES

LONDON — If you give credence to sport as a microcosm of e, there is a timely message of newal in England's soccer backard.

To millions it may seem the stock arket will never recover. Closer to y home, the uprooting of 200-ar-old oaks by nature's hooligan urricane destroyed landscapes at cannot be replaced in our time. How can the trivia of sport have eaning against such scale of loss?

Look at teams dominating the w season of English League soccer: atop Division 1 is Liverpool, ader of Division 2 is Bradford ty. They represent the blackest om known to the sport.

Grief, and vengeance through courts, has followed them since ay 1985, when rioting Liverpudns caused 39 deaths in Heysel adium, Brussels, and when the adford fire killed 55.

Be astonished, then, at the rejuvation of Liverpool, a better, althier, more entertaining club n before Heysel. Be even more at Bradford, which prior to its locaust was at the receiver's or. Bradford has bounced back h a new stadium, increased suprt and its highest league standing 65 years.

To both, tragedy became the ur.

Liverpool has to turn away by thousands those attracted not merely because it is winning again but because it has grown to embrace the higher ideal that sport also has a duty to entertain.

Regular 4-0 victories are one thing, style quite another; it is embodied in John Barnes, the new wing. For years Liverpool triumphed without wingers. It had functional, aggressive, dual-purpose runners who defended as readily as they attacked.

Barnes will never reliably block breakaways. Yet in nine games he has become a Merseyside cult figure. He flows with apparently carefree abandon, his speed and control are gifts, his movement is hypnotic.

Barnes is Liverpool's first black hero. With typical wit, its most ardent supporters dub him Tarmac, the Black Heighway, a play on his color and a reference back to Steve Heighway, the last adored winger on their team.

Last Saturday, the Black Heighway was a direct route to ecstasy. Twice Barnes created goals, and twice he scored in another 4-0 thrashing, this time of second-place Queens Park. His final score came from a run half the length of the field; he enticed and bamboozled opponent after opponent.

"I sense the buzz from Liverpool fans when I get the ball," Barnes says. "They know I like to go on a run past three or four defenders. It is neither my style nor my nature to go clattering into people — I try to hurt defenders with the ball and with my skill."

His union with the crowd testifies to Liverpool's changed values. It's a deprived city; pride compels it to be first and best. Last Saturday, almost 44,000 squeezed inside Anfield Stadium; 3,000 were turned away.

Few see incongruity in their willingness to pay what they can ill afford while team manager Kenny Dalglish earns £160,000 ($269,000), the highest base salary in British soccer.

Nor do they see the paradox of a team worth £11 million performing amid substandard housing, where street urchins remind one of the Great Depression.

Because of Heysel, and the consequent European ban, Liverpool lost its prolific goalscorer, Ian Rush. On Wednesday, he will play for Juventus in the European Cup. Last Saturday he watched rebuilt Liverpool, and agreed the team was better than the one he left last summer.

Barnes had come for £900,000, a third of the money received for Rush; striker John Aldridge cost £775,000, and Peter Beardsley a British-record £1.9 million.

By Sunday Rush was heading back to Turin. Liverpool was spending again, spending £800,000 Ireland midfielder Ray Houghton, who joins 14 other internationals vying for places on the team.

There are no internationals at Bradford, but its resurrection is the greater act of faith and desire.

Negligence and impoverishment led to Bradford's aged wooden grandstand incinerating its own supporters. Who would want to go back? How could the club survive?

The answer came through stubborn Yorkshire grit, the need to turn tragedy into some kind of monument to those who perished. Priorities were right: £4 million flooded in by public donation for the bereaved and the injured. The West Yorkshire Metropolitan Council then prevented bankruptcy by providing funds to rebuild the stadium.

The new facility is a £2.6 million safe house. No hooligan can approach without surveillance by closed-circuit television, in theory no electronic door will remain locked in an emergency.

The Associated Press

John Barnes, right, keeping Arsenal's Steve Williams at bay: "I sense the buzz from Liverpool fans when I get the ball."

Of course, the team suffered. After Bradford burned it had to sell its most experienced, and it sacked its manager. But through the struggle its community cared, and together they have new hope of rising to Division 1.

"As professionals we obviously had to separate ourselves from the tragedy and get on with it," says Terry Dolan, who stepped up from youth coach to team manager. "It would be false to say it is the factor in all that we do, but it is part of us, a way to do something for the memory of those who died."

Dolan signed a five-year contract two weeks ago, giving him license (for as long as that lasts) to guide his young team's climb toward a status not even fathers of the dead can recall.

The new stadium holds 15,500, and the surge upward is already attracting three-quarters of that.

Bradford and Liverpool share something intangible. They are strengthened by tragedy and, Dolan reminds us, the phenomenon is not new.

Which British team has widest, wealthiest, appeal throughout the world? Manchester United. What triggered that appeal? The Munich air crash of 1958, which gutted Manchester of its stars.

In tragedy, we remember them.

SPORTS BRIEFS

rench Rugby Team Sets 1988 Tour

PARIS (AFP) — The French national rugby union team will tour rgentina and Paraguay next year, it was announced Tuesday.

The tour will include test matches in Buenos Aires on June 18 and 25 d will conclude three days later against Paraguay.

unner Kratochvilova Calling It Quits

PRAGUE (AFP) — The retirement of Jarmila Kratochvilova, whose reer as a runner peaked when she won the 400- and 800-meters at the 983 world championships, was announced Tuesday.

Kratochvilova, now 37, broke the 400-meter world record when she on the 1983 gold medal. She finished fifth in the 800-meter final in ptember's world championships in Rome.

or the Record

Obed Ariri kicked two field goals and Ted Wilson scored on a 16-yard verse as Washington beat Dallas, 13-7, in a National Football League me Monday night in Irving, Texas. (AP)

SCOREBOARD

Football

College Top-20 Polls

The top 20 teams in the Associated Press college poll (first-place votes in parentheses, records through Oct. 17, total points based on 20-19-18, etc., and last week's rankings):

	Record	Pts	Pvs
1. Oklahoma (42)	6-0-0	1,179	1
2. Nebraska (12)	6-0-0	1,134	2
3. Miami, Fla. (6)	4-0-0	1,106	3
4. Florida State	6-1-0	977	4
5. LSU	6-0-1	923	6
6. Auburn	5-0-1	893	5
7. Clemson	6-0-0	846	7
8. UCLA	5-1-0	802	9
9. Syracuse	6-0-0	722	13
10. Notre Dame	4-1-0	676	11
11. Florida	5-2-0	579	14
12. Georgia	5-2-0	436	18
13. Tennessee	4-1-1	370	8
14. Michigan State	4-2-0	362	19
15. Indiana	5-1-0	333	20
16. Ohio State	4-1-1	294	17
17. Alabama	5-2-0	171	—
18. Penn State	5-2-0	170	10
19. Oklahoma State	5-1-0	154	12
20. Michigan	4-2-0	142	—

The UPI board of coaches' top-20 ratings (first-place votes and records in parentheses, total points, based 15 for first place, 14 for second, etc., and last week's rankings):

1. Oklahoma (45) (6-0)	743	1
2. Nebraska (3) (6-0)	692	2
3. Miami (2) (4-0)	656	3
4. Louisiana St. (6-0-1)	531	5
5. Florida State (6-1)	524	7
6. Auburn (5-0-1)	504	4
7. Clemson (6-0)	487	6
8. UCLA (5-1)	410	9
9. Syracuse (6-0)	374	11
10. Notre Dame (4-1)	274	13
11. Florida (5-2)	220	14
12. Indiana (5-1)	112	z
13. Georgia (5-2)	103	17
14. Ohio State (4-1-1)	77	16
15. Michigan State (4-2)	75	20
16. Tennessee (4-1-1)	71	8
17. Michigan (4-2)	41	z
18. Alabama (5-2)	28	z
19. Oklahoma State (5-1)	20	12
20. South Carolina (4-2)	14	z

(z-unranked)

(By agreement with the American Football Coaches Association, teams on NCAA or conference probation and forbidden to compete in a bowl are ineligible for top-20 and national championship consideration by UPI. Those teams are Mississippi and Texas Christian.)

NFL Standings

AMERICAN CONFERENCE

East	W	L	T	Pct.	PF	PA
New England	3	2	0	.600	97	98
N.Y. Jets	3	2	0	.600	135	127
Buffalo	2	3	0	.400	81	125
Indianapolis	2	3	0	.400	91	73
Miami	2	3	0	.400	137	99
Central						
Cleveland	3	2	0	.600	119	63
Houston	3	2	0	.600	112	91
Pittsburgh	3	2	0	.600	110	101
Cincinnati	2	3	0	.400	75	102
West						
San Diego	4	1	0	.800	91	83
Denver	3	1	1	.700	123	105
L.A. Raiders	3	2	0	.600	113	77
Seattle	3	2	0	.600	131	105
Kansas City	1	4	0	.200	68	159

NATIONAL CONFERENCE

East	W	L	T	Pct.	PF	PA
Washington	4	1	0	.800	133	85
Dallas	3	2	0	.600	115	97
St. Louis	2	3	0	.400	121	122
Philadelphia	1	4	0	.200	86	143
N.Y. Giants	0	5	0	.000	69	135
Central						
Chicago	4	1	0	.800	133	51
Tampa Bay	3	2	0	.600	115	84
Green Bay	2	2	1	.500	72	82
Minnesota	2	3	0	.400	88	105
Detroit	1	4	0	.200	86	145
West						
San Francisco	4	1	0	.800	144	122
New Orleans	3	2	0	.600	120	99
Atlanta	2	3	0	.400	84	141
L.A. Rams	1	4	0	.200	93	123

Monday's Result

Washington 13, Dallas 7

Oct. 25

Atlanta at Houston
Buffalo at Miami
Chicago at Tampa Bay
Cincinnati at Pittsburgh
Dallas at Philadelphia
Denver at Minnesota
Green Bay at Detroit
New England at Indianapolis
N.Y. Jets at Washington
San Francisco at New Orleans
St. Louis at N.Y. Giants
Seattle at L.A. Raiders
Kansas City at San Diego

Oct. 26

L.A. Rams at Cleveland

Hockey

National Hockey League Standings

WALES CONFERENCE

Patrick Division	W	L	T	Pts	GF	GA
Washington	4	2	0	8	28	21
Philadelphia	3	2	1	7	17	22
NY Islanders	3	1	0	6	20	6
New Jersey	3	2	0	6	18	16
NY Rangers	2	2	2	6	25	22
Pittsburgh	1	3	2	4	25	25
Adams Division						
Boston	4	2	0	8	26	22
Quebec	3	1	1	7	21	16
Montreal	3	2	1	7	21	17
Buffalo	2	2	2	6	22	26
Hartford	1	5	0	2	12	28

CAMPBELL CONFERENCE

Norris Division	W	L	T	Pts	GF	GA
Chicago	4	2	0	8	28	25
Detroit	3	2	0	6	15	17
Toronto	3	2	0	6	24	18
Minnesota	1	4	1	3	15	24
St. Louis	0	4	0	0	9	20
Smythe Division						
Winnipeg	3	1	0	6	17	11
Edmonton	3	2	0	6	23	16
Vancouver	2	2	0	4	15	14
Calgary	2	4	0	4	20	24
Los Angeles	1	4	0	2	11	22

Monday's Results

Washington 0 1 3—4
New York 2 0 0—2

Ridley (2), Galley (2), Christian (3), Gustafsson (4); Poddubny (4), Kisio (3). Shots on goal: Washington (on Vanbiesbrouck) 6-9-13—28; New York (on Malarchuk) 8-7-7—22.

Minnesota 0 1 0—1
Montreal 2 1 2—5

Chelios (3), Smith (4), Carbonneau (2), Dahlin (3), Nilan (1); Bellows (4). Shots on goal: Minnesota (on Roy) 14-6-12—32; Montreal (on Takko) 11-8-7—26.

Tennis Leaders

MEN

Earnings

1. Ivan Lendl, $887,671. 2. Miloslav Mecir, $821,729. 3. Stefan Edberg, $793,742. 4. Mats Wilander, $466,419. 5. Pat Cash, $378,222. 6. John McEnroe, $366,766. 7. Boris Becker, $357,349. 8. Emilio Sanchez, $333,962. 9. Andres Gomez, $324,522. 10. Jimmy Connors, $307,376.

Tour Points

1. Ivan Lendl, 4,194. 2. Stefan Edberg, 3,654. 3. Mats Wilander, 3,505. 4. Miloslav Mecir, 2,737. 5. Boris Becker, 2,308. 6. Jimmy Connors, 2,265. 7. Pat Cash, 1,719. 8. Andres Gomez, 1,483. 9. Yannick Noah, 1,453. 10. Emilio Sanchez, 1,417.

WOMEN

Earnings

1. Steffi Graf, $902,035. 2. Martina Navratilova, $855,602. 3. Chris Evert, $554,356. 4. Pam Shriver, $444,385. 5. Helena Sukova, $363,086. 6. Hana Mandlikova, $291,024. 7. Claudia Kohde-Kilsch, $290,273. 8. Lori McNeil, $289,480. 9. Gabriela Sabatini, $277,400. 10. Zina Garrison, $275,954.

Tour Points

1. Steffi Graf, 4,455. 2. Martina Navratilova, 3,626. 3. Chris Evert, 3,554. 4. Pam Shriver, 2,627. 5. Hana Mandlikova, 2,309. 6. Helena Sukova, 2,300. 7. Gabriela Sabatini, 2,262. 8. Zina Garrison, 2,098. 9. Lori McNeil, 2,092. 10. Manuela Maleeva, 1,732.

Transition

BASEBALL
American League

BALTIMORE—Extended the contract of Terry Kennedy, catcher, through the 1989 season.

DETROIT—Waived John Grubb, outfielder-designated hitter; Nate Snell, pitcher, and Dwight Lowry, catcher, for the purpose of giving them their unconditional releases. Signed Dave Bergman, first baseman, and Tom Brookens and Jim Morrison, third basemen, to one-year contracts.

KANSAS CITY—Asked for waivers on Ross Jones, shortstop, and Bob Stoddard and Theo Shaw, pitchers. Announced that Hal McRae, hitting coach; Gary Blaylock, pitching coach; Jose Martinez, third base coach, and Joe Jones, first base coach, will not return next season. Named Mike Lum hitting coach; Frank Funk pitching coach; Adrian Garrett third base coach, and Bob Schaefer first base coach.

NEW YORK—Named Gene Michael chief scout.

National League

HOUSTON—Exercised the option on the contract of Nolan Ryan, pitcher.

BASKETBALL
National Basketball Association

L.A. CLIPPERS—Released Stafford Johnson, forward, and Steve Ledesma, center.

MILWAUKEE—Announced that Sidney Moncrief, guard, will undergo knee surgery and miss the next eight weeks.

FOOTBALL
Canadian Football League

EDMONTON—Activated Steve Benjamin, defensive back, from the disabled list. Placed Cliff Toney, defensive back, on the reserve list.

National Football League

ATLANTA—Retained Erik Kramer, quarterback, and Rich Kraynak, linebacker, from its replacement roster. Signed Brenard Wilson, defensive back.

CLEVELAND—Retained Keith Baxley and Darryl Haley, offensive linemen; Alex Carter, Mike Rusinek and Darryl Sims, defensive linemen; Tim Crawford, David Grayson, Nick Miller and Cliff Hanneman, linebackers; Major Everett, George Swarn and Larry Mason, running backs; Perry Kemp and Remi Watson, wide receivers; Bill Robinson, defensive back; Derek Tennell, tight end, and Enis Jackson, cornerback, from its replacement roster.

DENVER—Retained Ken Karcher, quarterback; Joe Dudek, running back; Jeff Tupper and Steve Bryan, defensive linemen; Tim Lucas and Bryant Winn, linebackers; Earl Johnson and K.C. Clark, defensive backs; Mitch Andrews, tight end; Rick Massie, wide reciever, and Mike Freeman, offensive lineman, its replacement roster.

GREEN BAY—Retained Vince Rafferty, center; Lorenzo Freeman, defensive lineman; Jim Melka, linebacker; Steve Collier and Bob Gruber, offensive tackles; Max Zendejas, placekicker; Alan Risher, quarterback; Jim Bob Morris, safety, and Lee Morris and Patrick Scott, wide receivers, from its replacement roster. Placed Lavale Thomas and Kevin Willhite, running backs; Jeff Drost, offensive tackle; Don King and Tony Elliott, defensive backs, and Don Summers, tight end, on injured reserve.

MIAMI—Placed Mark Konecny, running back; Louis Oubre, guard, and John Swain, cornerback, on injured reserve.

MINNESOTA—Signed Randy Rasmussen, offensive lineman. Placed James Brim, wide receiver, on injured reserve.

POSTCARD

The Teen Fathers Club

By Michael Winerip
New York Times Service

BRIDGEPORT, Connecticut — There's a lot of fun stuff for a 17-year-old like Alex Fernandez to do at the YMCA. He enjoys shooting basketball and lifting weights, and he likes the Teen Fathers club. It's a bunch of regular guys, and you can talk to Manny Cardona, the leader, about your feelings.

Alex qualified for the club five months ago, when his son, Andrew, was born. "A baby's kind of a big responsibility," said Alex, who is a junior in high school. "When she was pregnant I was upset. But I guess, you play, you pay. Birth control? Just, you know, we didn't use nothing like that."

Cardona has found Alex an after-school job at Nice and Fresh Bakery, so Alex can contribute a little money for the baby. "Manny's always telling me to hang with it, things will turn out," said Alex. "Manny gives you hope."

Alex tells Cardona he is not ready for marriage, though he says he respects his girlfriend, Diane. "She's not like this pretty-but-dumb girl," he said. "She's real intelligent. She wants to go to college." They had considered abortion, but decided against it. "I really don't remember why — I forget," said Alex. "It's a while back. Plus, Diane said, 'If you play, you've got to pay.' "

Cardona hands Alex a new box of baby booties. "Thanks, Manny," said Alex, heading to the gym with the booties to shoot some baskets.

Cardona finds his young fathers playing pool in back of La Cueva bar, dancing at the Crystal Ballroom, hanging out on East Main Street. "Humberto!" said Cardona, slowing his car. "When?"

"It's due Friday," said Humberto Pérez, 19, a truck driver. Cardona stopped the car and gave the truck driver a box of booties.

In the three-decker houses on the East Side of Bridgeport, they know Cardona. Several teen-agers, including Luis Marrero and Edgar López, have made him the godfather of their sons. He finds them jobs so they can help support their babies, and he gets medical care for their pregnant girlfriends (in these neighborhoods the infant mortality rate is three times the U.S. national average.)

He gives the young fathers booties to take home because he knows how it pleases the young mothers. And he awards everyone in his program a YMCA certificate "for admirably demonstrating the fatherhood qualities of caring and responsibility."

To the young fathers, he seems much more hopeful than most grown-ups, but Manny Cardona is a one-man program in a city of 150,000, and on bad days he despairs because of all there is to do. "Sometimes I just park at this corner and count the mothers going by who are alone."

Soon this may be a no-man program. The New York State Human Resources Department, citing budget constraints, is threatening not to finance the $34,000 program again.

"Everybody loves to have Manny speak at their conferences," said César Bataille, president of the Puerto Rican Coalition here, "but he's still a one-man show begging for money each year."

IN his desk, Cardona keeps a list of 50 families he has rescued from welfare.

The other night, he was shooting pool at La Cueva, hoping to find some new fathers. After dark, Jorge, Vincente, John and Miguel came in. "I met Miguel at Boys Club when he was 13," said Cardona. "I didn't know you're a father."

"Three years," said Miguel, who is 20.

He explained to Miguel about Teen Fathers. Miguel said he was helping to support his girlfriend, but she is collecting welfare, so he did not want anyone to know.

Later, away from the others, Cardona said, "It's hard to get them off the welfare." He continued, "They don't make much money and this is the only way for them to save a little. I'm doing my best. I'm dealing with Miguel. If I do my best with the father, we hope the family will be better."

Cardona and the young fathers played more pool, had a couple of bottles of beer and then it was time to go. They walked out to Barnum Avenue, and Cardona led them over to his Chevy Celebrity. He opened the trunk, and handed each man a pair of booties. Then they went their separate ways.

Kenneth Tynan: The World and His Wife

By Victoria Glendinning

Jerry Bauer

Kenneth Tynan in 1975; his widow Kathleen: "We are now separate."

LONDON — Kathleen Tynan, when she is in London, still lives in the South Kensington house that she and her late husband Kenneth Tynan bought in 1966, having fallen in love, as she writes, with its "huge rooms, stone staircase and leafy surrounds." They were in California during his final illness; Tynan, planning his autobiography, had gone back to the Kensington house "and raided his own files." After he died the files were there, waiting.

"At the beginning I was fascinated by this cache of material, which was now mine. I thought I was simply clearing up, but then I decided it would be a good idea to write the book myself. The last months had been a black period. Ken was so sick, and so enraged to be sick — and then he'd left me, by dying. I wanted to find out more about him. Not that he had any secrets, he could never keep a secret, but I wanted to unravel what he had really been like."

For her, Tynan was "my lover, my husband, my teacher, the father of my children, my scourge." For the rest of the world he was notorious for being the first person to say the most famous of four-letter words on British television, and for being the man behind "Oh! Calcutta!" which, whatever the critics thought of it, was a theatrical breakthough of a kind and the culmination of the raunchy '60s scene that Tynan in so many ways personified.

He was a dandy who startled drab, post-war Oxford as an undergraduate in the late 1940s with his purple doeskin suit and gold satin shirts. The stage was his passion, and when he began acting and directing plays in London he established himself, as Michael Redgrave said at the time, as the "enfant terrible of the English theater." He will be remembered above all for his writing about the theater; in the 1950s he wrote drama criticism, for the London Observer and for The New Yorker. Then for 10 years in the 1960s he worked with Laurence Olivier at London's new National Theatre, commissioning and recommending plays and sustaining a stormy relationship with the august board of directors.

Tynan was flamboyant, iconoclastic and volatile. He had campaigned for nuclear disarmament, sexual freedom, an end to theater censorship and the legalization of marijuana. He was in Cuba with Hemingway and Tennessee Williams, and was later subpoenaed by the U.S. Senate Internal Security Subcommittee. Gore Vidal, Norman Mailer and Marlon Brando came to his parties; he knew everyone. Kathleen, his second wife (the first was Elaine Dundy, the novelist), felt like Sancho Panza to his Quixote.

When she embarked on the book, a friend tried to dissuade her. "Widows just don't do that," he told her. It did turn out to be much more difficult that she had imagined.: "I was not the same person at the beginning as at the end."

She had to research not only Tynan's life but her own, and her relationship with him. "I've written a rather personal introduction to explain what I was trying to do. I dreaded the moment in the book when I came on the scene. The first section is more or less conventional biography, and when I showed these chapters to my American publishers they said that all they really wanted was a memoir of the 16 years I was with him. But I stuck to my guns. I did far too much research, getting obsessed with minor details, such as his exact salary at the National Theatre, down to the last £2. I had to cut about 80,000 words out of it by the end."

She discovered far more about Tynan's background than he knew himself. His father led a double life. Officially, and for two days a week, he was Sir Peter Peacock, a prosperous businessman and six times mayor of Warrington. Unofficially, for the rest of the time, he was Peter Tynan, living with Kenneth's mother, a working-class Irish woman, in Birmingham. Only on his father's death did Kenneth, then in his 20s, learn something about these complications, and he came to resent the years of secrecy. "I think Ken's childhood explains a lot about him, and that his whole life can be seen as a sort of dance with his father, the organizer and chairman-figure that Ken could have been but never was."

Just before she brought herself into the book, Kathleen wrote an interlude "about the best bits of being with Ken." She read her diaries, and discovered she had met him three times before what she remembered as their first meeting. She became "just another character" in the biography, "especially when I found her, the ridiculous creature that I was at university, rushing around like a lunatic without much judgment. I was star-struck, like Ken was, but later I got tired of these great persons. I don't think he ever did."

She discovered how she had changed during the marriage, slowly, "like a determined snail." Extremely pretty and more than 10 years younger, she was at first happy just to be with him, doing a little writing on the side. "Then I read Friedan and Greer and began to spread my wings, and started writing novels to find out what I felt." Her novel-writing was no threat to Tynan, "he was such a stellar creature." But it was hard for him when she was writing a scenario in Los Angeles while he was sick with the emphysema that killed him. "He had wanted to write a film himself, it seemed unfair."

She read everything he had ever written, not only letters but hundreds of articles and reviews in journals, some long defunct. "I reversed my original view, that he was a performer who happened to write. I told him that once and he agreed. Now I think he was an absolutely marvelous born writer."

Writing the later parts was painful. "I had quite explosive dreams about the past. I suppose I was wondering whether I could go on being the rescuer — not of Ken but of my love for Ken, and of the intactness of our relationship, and not feel angry about some of the things that happened."

She also felt a little queasy about interviewing the other women in Tynan's life, even though all the affairs but one dated from before their marriage. "They treated me as a journalist and were very candid. I felt almost shocked that they could be so candid in my presence. I was impressed by the generosity of these women, they didn't try to put themselves in a good light, they were thinking about Ken." This was by no means true, she says, of some of his male friends and colleagues. "Ken provoked extreme reactions, and his contemporaries tend to have fixed views about him, one-dimensional and unchangeable."

Tynan, the crusader for sexual explicitness in the media, had his own peculiar sexual fetishes. Kathleen Tynan, writing about these intimate matters, has tried to give them no more and no less importance than they actually had. She has no qualms at all about what she has revealed. "If you'd embarked on a book about Ken, and didn't write about his sexual nature, it would be a great cop-out." She stresses, again, that he himself did not believe in keeping anything secret. "It would only be a betrayal if I hadn't tried to tell the truth." But she has learned that, although one can explore the past, "there's no one truth. There's no one Ken Tynan."

She was "exhausted, depleted" when she finished the book (published in Britain by Weidenfeld & Nicholson, and soon to appear in the United States from Morrow), but satisfied: "First, because I realized he was not a failure; and second, because I was released from the hoops of steel by which I was bound to him. We are now separate."

Kathleen Tynan divides her time between London and the United States. The two children of their marriage are growing up. She is writing a film based on a storyline of her own. She has become, in the seven years since Tynan died, her own woman.

Victoria Glendinning's latest biography, of Rebecca West, has been published recently.

PEOPLE

A Chorus of Trumpeters For Armstrong Archives

Jazz trumpeters played tribute to **Louis Armstrong** to mark the establishment of an archive at Queens College featuring a trove of recordings and compositions. **Dizzy Gillespie, Roy Eldridge, Wynton Marsalis, Art Farmer, Clark Terry, Jon Faddis, Doc Cheatham, Jimmy Owens** and **Lou Soloff** were all part of a program in New York Monday night honoring Armstrong, who died in 1971. When Armstrong's wife, **Lucille**, died in 1983 she left the house Armstrong had lived in since 1943 to the city of New York. Last year Queens College was asked to care for the archives through the university's Aaron Copeland School of Music. When the archivists began to look through the material in the house they realized that Armstrong had kept a detailed record of virtually every recording, radio and television appearance with which he was connected. In addition to his five trumpets and correspondence, the collection includes 240 acetates of recordings dating back to the 1920s, 60 photo albums and 20 files of unpublished musical manuscripts. The archive also includes hundreds of reel-to-reel tapes of Armstrong performances.

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Japan's **Emperor Hirohito** was up and dressed on Tuesday for the first time since his stomach operation a month ago, his aides said. The 86-year-old emperor is recovering steadily, they said, but is expected to receive another blood transfusion on Wednesday to combat anemia. Emperor Hirohito has had four blood transfusions since he underwent surgery on Sept. 22.

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A bust of **Edgar Allan Poe** was stolen from the Poe Museum in Richmond, Virginia. "This is a major crime in the art world," said **Bruce English**, president of the Poe Foundation, which owns and operates the museum. "I'm very disturbed. It's irreplaceable. I have it insured for $2,000 but it's worth more than that." English said the plaster bust is thought to have been completed in 1909 to serve as a model for a bronze version made by the sculptor **Edmond Quinn**. "It's probably the most famous bust of Poe," said English, "and this is the plaster model used by the sculptor to make his bronze casting."

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